FILED
July 03, 2014
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF THE CITY OF FORT)	
WAYNE, INDIANA, AND UTILITY)	
CENTER, INC. d/b/a AQUA INDIANA, INC.)	
FOR THE APPROVAL OF TRANSFER OF)	CAUSE NO. 44503
CERTAIN WATER FACILITIES AND)	
ISSUANCE OF WATERWORKS REVENUE)	
BONDS)	

<u>DIRECT TESTIMONY AND EXHIBITS OF JOINT PETITIONER,</u> THE CITY OF FORT WAYNE, INDIANA

Direct Testimony & Exhibits of Matthew A. Wirtz, P.E.	Joint Petitioners' Exhibit 1
Interconnection Improvements	Joint Petitioner's Exhibit 2
Map of Aqua Service Territory and Facilities	Joint Petitioners' Exhibit 3
Map of Aqua Southwest Transition Phases	Joint Petitioners' Exhibit 4
Direct Testimony & Exhibits of Robert J. Clifford, CPA	Joint Petitioners' Exhibit 5
Accounting Report on Proposed Acquisition & Bond Issue	Joint Petitioners' Exhibit 6

Respectfully Submitted,

1. Christopher Janak Attorney No. 18499-49

BOSE MCKINNEY & EVANS LLP

111 Monument Circle, Suite 2700 Indianapolis, IN 46204 (317) 684-5249 (317) 223-0249 (fax)

Counsel for Petitioner, City of Fort Wayne, Indiana

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony and Exhibits of Joint Petitioner, the City of Fort Wayne, Indiana* has been served upon the following counsel of record via electronic mail this 3rd day of July, 2014:

Office of Utility Consumer Counselor PNC Center, Suite 1500 South 115 W. Washington Street Indianapolis, IN 46204

Christophen Janak

Bose McKinney & Evans LLP 111 Monument Circle, Suite 2700 Indianapolis, IN 46204 (317) 684-5000 Telephone (317) 684-5173 Facsimile

PETITIONERS' EXHIBIT 1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF THE CITY OF FORT)	
WAYNE, INDIANA, AND UTILITY)	
CENTER, INC. d/b/a AQUA INDIANA, INC.)	
FOR THE APPROVAL OF TRANSFER OF)	CAUSE NO. 44503
CERTAIN WATER FACILITIES AND)	
ISSUANCE OF WATERWORKS REVENUE)	
BONDS)	

DIRECT TESTIMONY AND EXHIBITS

 \mathbf{OF}

MATTHEW A. WIRTZ, P.E.

ON BEHALF OF JOINT PETITIONERS, FORT WAYNE MUNICIPAL WATER UTILITY AND UTILITY CENTER, INC.

FORT WAYNE MUNICIPAL WATER UTILITY AND UTILITY CENTER, INC. IURC Cause No. 44503 Direct Testimony of Matthew A. Wirtz, P.E.

Y

I. Introduction

1 1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Matthew A. Wirtz and my business address is 200 East Berry Street, Suite 270, Fort Wayne, Indiana 46802.

4

5

6

7

8

9

10

11

12

13

14

2

3

2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the City of Fort Wayne, Indiana ("Fort Wayne") as the Deputy Director of Engineering Services and Chief Engineer for Fort Wayne City Utilities ("Utility"). As the Deputy Director and Chief Engineer, I oversee all capital planning, design, construction, and project management services for the Utility's sewer, storm water, and water utilities. In addition to my regular duties, I have also been a part of the Utility team that has negotiated with Utility Center, Inc. d/b/a Aqua Indiana, Inc. ("Aqua") for the acquisition and integration into the Utility of Aqua's North and Southwest systems ("Aqua North" and "Aqua Southwest", respectively).

15

16

17

3. Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

18 In 1998, I graduated from Iowa State University with a Bachelor's Degree in Civil A. 19 Engineering. From 1998 to 2000, I worked as a civil engineer for an independent engineering firm, HNTB Corporation. Since 2000, I have worked for the Utility 20 21 in providing engineering and planning related services. I am currently a registered Professional Engineer in the State of Indiana, PE No. 10302420, and a 22 member of the American Waterworks Association, National Society of 23 24 Professional Engineers, American Society of Civil Engineers, and the Water Environment Federation. 25

26

1 4. Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE INDIANA 2 UTILITY REGULATORY COMMISSION ("COMMISSION")?

A. Yes, I have testified in several proceedings before the Commission. My testimony has always been on behalf of the Utility and I have generally testified about the status of the Utility, its service area, and its capital needs.

5. Q. MR. WIRTZ, WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CAUSE?

A. The purpose of my testimony in this case is to generally describe the proposed terms for transfer of the Aqua Southwest system, and then more specifically explain the operational aspects of integrating the Aqua Southwest system into the Utility. As part of my testimony, I will explain the costs associated with this integration of facilities, as well as the benefits that should be derived by Aqua, the Utility, and their respective customers. My testimony, along with the testimony of Fort Wayne's financial advisor, Mr. Robert J. Clifford from Umbaugh, and the President of Aqua Indiana, Inc., Mr. Thomas Bruns, is intended to provide evidentiary support for the: (i) transfer of the Aqua Southwest system from Aqua to the Utility; and (ii) issuance of long term debt by the Utility to complete the acquisition and integration of the Aqua Southwest system into the Utility.

II. Verified Petition and Relief Requested

24 6. Q. HAVE YOU REVIEWED THE VERIFIED PETITION ("PETITION") 25 INITIATING THIS CAUSE?

A. Yes, I have. Before the Petition was filed on June 13, 2014, I reviewed the Petition to ensure its accuracy. A true and accurate copy of the Petition is, in fact, attached to Mr. Bruns' prefiled testimony as <u>Joint Petitioners' Exhibit TMB-2</u>.

7. Q. IN YOUR OPINION, IS THE PETITION ACCURATE AND DOES IT CORRECTLY DESCRIBE THE RELIEF FORT WAYNE SEEKS IN THIS CAUSE?

1		A.	Yes, I believe the Petition accurately describes the relevant facts and
2			circumstances in this case, as well as the relief Fort Wayne seeks. Based on Mr.
3			Bruns' companion testimony in this case, I understand that Aqua also agrees with
4			the allegations in the Petition and supports the requested relief.
5			
6	8.	Q.	AS PART OF THE REQUEST FOR RELIEF, ARE FORT WAYNE AND
7			AQUA SEEKING APPROVAL OF EXHIBIT 1 TO THE PETITION, THE
8			UTILITY SYSTEM ASSET ACQUISITION AGREEMENT?
9		A.	Yes. The Utility System Asset Acquisition Agreement and all related exhibits
10			(collectively, the "Acquisition Agreement") set forth the terms by which the
11			parties have agreed to transfer the Aqua Southwest system from Aqua to Fort
12			Wayne. Fort Wayne, in turn, is seeking authority to issue long term debt or bonds
13			to satisfy its financial obligations under the Acquisition Agreement. In
14			determining whether to approve the proposed transfer of the Aqua Southwest
15			system and issuance of bonds, both Fort Wayne and Aqua believe it is appropriate
16			for the Commission to review and approve the Acquisition Agreement.
17			
18			III.
19 20			Agreement Between Aqua and the Utility
21	9.	Q.	PRIOR TO PREFILING YOUR TESTIMONY AND EXHIBITS, DID YOU
22			REVIEW MR. BRUNS' PREFILED TESTIMONY AND EXHIBITS?
23		A.	Yes, I did.
24			
25	10.	Q.	IN YOUR OPINION, DID MR. BRUNS ACCURATELY DESCRIBE THE
26			ACQUISITION AGREEMENT?
27		A.	Yes, he did.
28			
29	11.	Q.	MR. WIRTZ, CAN YOU BRIEFLY DESCRIBE THE ASSETS AND
30			OTHER CONSIDERATION THE UTILITY WILL RECEIVE IN THE
31			ACQUISITION AGREEMENT?

A. The Acquisition Agreement contemplates that the Utility will receive all customers, records, vendor and developer agreements, inventory, and assets of the Aqua Southwest system. The hard assets include, among other things, three different well fields and treatment plants, three elevated storage tanks, and approximately 192 miles of water lines with associated hydrants and valves, services, and meters. Appendix C to the Acquisition Agreement provides a more detailed listing of the hard assets comprising the Aqua Southwest System. The Acquisition Agreement also: (i) settles the outstanding litigation between the parties with respect to the value of the Aqua North System; (ii) provides a formal mechanism for the Utility to reduce future capital costs by diverting certain sewer flows to Aqua for wholesale sewage treatment; and (iii) establishes agreements between the parties for consulting and operations to facilitate cooperation and continuity on a prospective basis.

15 12. Q. WHAT IS THE FINANCIAL CONSIDERATION BEING PAID BY FORT 16 WAYNE UNDER THE ACQUISITION AGREEMENT?

A. For the tangible and intangible assets generally described above, Fort Wayne is paying a purchase price of \$67 million. As noted in Section 3.3 of the Acquisition Agreement, Fort Wayne has previously paid \$16.9 million for the condemnation of the Aqua North system (see also October 17, 2012 Commission Order in Cause No. 44162 approving long-term financing for \$16.9 million). Therefore, the remaining amount due and owing is \$50.1 million (see Exhibit 1 to Petition, Acquisition Agreement, pp. 13-14).

25 13. Q. DO YOU BELIEVE THE TERMS IN THE ACQUISITION AGREEMENT, 26 INCLUDING THE AMOUNT TO BE PAID BY FORT WAYNE, ARE

REASONABLE AND IN THE BEST INTEREST OF FORT WAYNE AND

ITS CUSTOMERS?

A. Yes, I do. As Mr. Bruns noted in his testimony, the litigation over the valuation of the Aqua North system has been ongoing for twelve years. The negotiations

and efforts to obtain approval for the acquisition of the Aqua Southwest system is quickly approaching two years. The litigation, negotiations, and approvals necessary to consummate both transactions have been protracted, often difficult, and costly. Absent the agreed-upon Acquisition Agreement, the parties would be facing years of potentially expensive litigation with no certainty as to the outcome.

After months of negotiation, Fort Wayne believes it has reached a fair and reasonable compromise. The Acquisition Agreement allows Fort Wayne to move forward and issue long term debt in an amount sufficient to: (i) settle the litigation over the valuation of the Aqua North system; (ii) purchase the Aqua Southwest system; and (iii) make the improvements necessary to integrate the Aqua Southwest system into the Utility. As Mr. Clifford will more fully describe, the terms are such that Fort Wayne will be able to issue bonds to satisfy its financial obligations (under the Acquisition Agreement) while at the same time lowering the rates of the Aqua Southwest customers to the rates currently paid by the Utility's existing customers. As noted herein, Fort Wayne and its customers will also receive a number of direct and indirect benefits (e.g. capital cost avoidance and cooperation and planning between the parties) if Fort Wayne is authorized to consummate this transaction.

While further litigation might have led to a lower purchase price for the utilities, my experience tells me that the costs could easily have exceeded any benefit. In light of these considerations, I am confident that the terms of the Acquisition Agreement are reasonable and in the best interest of Fort Wayne and its customers.

1 2 3			IV. <u>Issuance of Long Term Debt</u>
4	14.	Q.	HOW DOES THE UTILITY PROPOSE TO PAY AQUA AND THE COST
5			OF INTEGRATING THE AQUA SOUTHWEST CUSTOMERS INTO THE
6			UTILITY?
7		A.	As Mr. Clifford will explain in more detail, the Utility proposes to issue long term
8			debt or bonds. When considering the remaining \$50.1 million owed to Aqua and
9			the integration and associated soft costs, the Utility estimates a total project cost
10			of \$63 million. The Utility proposes to issue \$63 million in bonds to fund the
11			total project cost.
12			
13	15.	Q.	HOW MANY CUSTOMERS ARE CURRENTLY SERVED BY THE
14			FACILITIES PROPOSED TO BE TRANSFERRED TO THE UTILITY?
15		A.	The Aqua Southwest system currently serves approximately 12,600 customers.
16			The Aqua North system, which has already been transferred to the Utility, served
17			approximately 9,000 customers at the time of the acquisition in 2008. Assuming
18			the transaction is approved, all Aqua North and Southwest water customers will
19			be customers of the Utility.
20			
21	16.	Q.	DID THE UTILITY CONSIDER THE REVENUES FROM THE AQUA
22			CUSTOMERS WHEN EVALUATING THE ACQUISITION
23			AGREEMENT AND THE UTILITY'S ABILITY TO ISSUE LONG TERM
24			DEBT?
25		A.	Yes. Based on current market rates and the revenues from the Aqua customers,
26			the Utility is able to issue bonds in an amount sufficient to satisfy its financial
27			obligations and yet still allow the Aqua customers to take advantage of the
28			Utility's lower rates.
29			
30	17.	Q.	ARE THERE ANY TIMING ISSUES THAT SHOULD BE CONSIDERED
31			BY THE COMMISSION?

A. Yes, there is. The assumption that the Utility can issue bonds and lower the rates for the Aqua customers assumes that the Utility will be able to issue long term debt at or near current market rates. If interest rates materially increase, the Utility's ability to complete the proposed transaction and lower rates may be in jeopardy. With this mind, Fort Wayne respectfully requests a prompt review of the proposed transaction.

7

1

2

3

4

5

6

V. **Interconnection of Customers**

9 10 11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

A.

18. Q. DO YOU ANTICIPATE THAT ALL AQUA WATER CUSTOMERS WILL EVENTUALLY BE INTERCONNECTED TO, AND SERVED BY, THE UTILITY'S FACILITIES?

Yes, I do. The Utility currently has three existing interconnections with the Aqua Southwest system. As noted in Cause No. 41187, the Utility has utilized these existing interconnections to provide emergency service to portions of the Aqua Southwest System. In other areas, the Utility's water mains are as little as five (5) feet apart from Aqua's existing facilities. While the existing facilities and interconnections will certainly be needed and used in serving the Aqua Southwest customers, the Utility anticipates needing an additional \$8 million to upgrade and extend existing facilities in order to serve all the Aqua Southwest customers. The new facilities and improvements include, among other things, upgrades to two existing Utility pump stations and one Aqua elevated storage tank, installing approximately six (6) miles of 12-inch, 16-inch and 24-inch water main extensions, 2,200 new water meters and associated piping and minor the "Interconnection interconnection improvements (collectively, Improvements"). A detailed listing of the Interconnection Improvements and their estimated cost is attached to my testimony as Petitioner's Exhibit 2.

28 29

1 19. Q. HAS THE UTILITY PREPARED A MAP OR DIAGRAM THAT 2 OUTLINES THE AQUA SOUTHWEST SERVICE TERRITORY AND 3 FACILITIES?

A. Yes, it has. For the Commission's reference, I have attached two different diagrams to my testimony as <u>Petitioners' Exhibits 3</u> and <u>4</u>, respectively. <u>Exhibit 3</u> is a diagram that identifies the location of Aqua's existing service territory and water production, treatment, and storage facilities. Similarly, <u>Exhibit 4</u> shows the location of the Aqua Southwest system and highlights the general phasing the Utility proposes for transferring the Aqua Customers onto Utility water and the locations of the proposed Interconnection Improvements. As one can see from both exhibits, the Aqua Southwest service territory is adjacent to the Utility's existing West Side and Southwest High Pressure Districts. Due to its close proximity, Fort Wayne views the acquisition as a logical extension of the Utility's service territory.

20. Q. HOW DOES THE UTILITY INTEND TO PAY FOR THE COST OF THE17 **INTERCONNECTION IMPROVEMENTS?**

A. As I testified above, the Utility estimates that the total project cost to complete the acquisition, make the Interconnection Improvements, and pay soft costs is \$63 million. The total project cost includes an amount of approximately \$8 million for the Interconnection Improvements.

23 21. Q. DO YOU BELIEVE THE INTERCONNECTION IMPROVEMENTS ARE 24 REASONABLE, NECESSARY, AND WILL RESULT IN BETTER 25 SERVICE?

A. Yes, I do. As was first noted in Cause No. 41187 and more recently reviewed by the Commission in the November 30, 2012 Water System Operations Audit of the Aqua Southwest System prepared by Crawford, Murphy, and Tilly, Inc. ("2012 IURC Audit"), the Aqua system experiences inadequate water supply and pressure during high usage time periods. It was for this reason that in Cause No.

41187 (and again in 2012) the Commission ordered Aqua to interconnect with and use the Utility as an emergency source of supply. In the 2012 Audit, the Commission found that Aqua's supply and pressure issues can generally be attributed to an inadequate source of supply which hinders Aqua's ability to fill its elevated storage tanks during times of high water usage. The Commission required Aqua (in the 2012 IURC Audit) to update its Water System Master Plan and recommended improvements to Aqua's source of supply which, if completed, could have been expensive and resulted in higher rates for the Aqua Southwest customers.²

The Interconnection Improvements identified in Exhibit 2 will: (i) eliminate the need for Aqua or the Utility to complete improvements recommended in the 2012 IURC Audit; (ii) allow the Utility to transport and deliver more water to the Aqua Southwest system; (iii) remedy the water shortage and pressure problems previously experienced by the Aqua Southwest customers during high usage periods; and (iv) enable Fort Wayne to continually refill Aqua Southwest's elevated storage tanks and offer improved fire flow capacity even during high usage periods. Rather than requiring Aqua to raise its rates and complete the improvements recommended in the 2012 IURC Audit, the Utility can complete the Interconnection Improvements at no additional cost to the Aqua Southwest or Utility customers. For these reasons, I believe that the Interconnection Improvements are reasonable, necessary, and in the best interest of the Aqua Southwest customers.

¹ See, e.g., 2012 IURC Audit, § 9.05, p. 17, ¶¶¶ A., 3, 5.

² See, e.g., 2012 IURC Audit, § 9.08, p. 22, ¶ F.

1 2 3					Timing fo	VI. or Interc	<u>onnection</u>			
4	22.	Q.	MR.	WIRTZ,	CAN	YOU	EXPLAIN	THE	TIMING	FOR
5			INTE	RCONNEC	TION OF	THE A	AQUA SOUTI	HWEST	CUSTOME	RS TO
6			THE U	U TILITY'S	SYSTEM	1?				
7		A.	As sho	wn on <u>Exhi</u>	bit 4, the l	Utility ge	enerally anticipa	ates inter	connecting th	ne Aqua
8			Southv	west custom	ers in thre	e (3) mai	n phases. With	hin appro	ximately two	weeks
9			of obt	aining Con	mission a	approval	and closing of	on the p	urchase, the	Utility
10			anticip	ates comple	ting the fi	irst phase	e by connecting	g approxi	imately 2,000) of the
11			Aqua S	Southwest c	ustomers	to the Ut	tility's system ((See Pet.	Exhibit 4, b	lue box
12			for loc	cation of P	hase I cu	stomers)	. Within app	roximate	ly four weel	ks after
13			Comm	ission appro	oval and c	losing, th	ne Utility shoul	ld comple	ete the secon	d phase
14			and in	terconnect a	an addition	nal 2,500) Aqua Southv	vest cust	omers to the	Utility
15			(See P	(See Pet. Exhibit 4, pink box for location of Phase II customers). The remaining						
16			Aqua	Aqua Southwest customers will not be interconnected until completion of the						
17			majori	majority of the Interconnection Improvements (i.e. Phase III) (See Pet. Exhibit 4,						
18			black	black box for location of Phase III customers). The anticipated timing for						
19			comple	completion of Phase III is as follows:						
20				Advertise f	or Bids to	Construc	ct Improvement	ts A	ugust, 2014	
21				Open Bids				Se	eptember, 20	14
22				Commissio	n Approv	al		O	ctober, 2014	
23				Close on p	roposed fin	nancing		N	ovember, 20	14
24				Begin cons	truction			N	ovember, 20	14
25				Substantial	completion	n		A	ugust, 2015	
26				Interconne	ction of Ph	nase III C	ustomers	S	eptember, 20	15
27										
28	23.	Q.	WILL	THE U	TILITY	POST	PONE SERV	VING 7	THE PHAS	SE III
29			CUST	OMERS 1	JNTIL T	HE IN	TERCONNEC	CTION	IMPROVEN	MENTS
30			ARE (COMPLET	ED?					

A. No. The Utility proposes to close on the acquisition and immediately begin serving all the Aqua Southwest customers. The Utility anticipates, however, utilizing Aqua's existing wells and treatment facilities to serve the Phase III customers until the Utility is able to complete the Interconnection Improvements.

24. Q. DOES THE UTILITY HAVE THE EXPERIENCE AND EXPERTISE TO OPERATE THE AQUA FACILITIES UNTIL THE INTERCONNECTION IMPROVEMENTS ARE COMPLETED?

A. Yes, the Utility currently has employees with the requisite experience and licenses to operate the Aqua system. In addition, the Utility will be hiring ten (10) of Aqua's current water employees, including Aqua's current lead water operator. These employees are proposed to backfill four (4) existing vacant positions (at the Utility), as well as fill six (6) new positions being created to handle the additional workload created from adding Aqua Southwest to the Utility system. The Utility believes the retention of key Aqua personnel will: (i) bolster the Utility's already capable workforce; (ii) provide valuable background and experience with the operation of all the Aqua facilities; (iii) allow for relatively easy operation of the Aqua Southwest facilities on a temporary basis; and (iv) facilitate an efficient, seamless transition from Aqua to Utility ownership and operation.

25. Q. WHAT PROCEDURES WILL THE UTILITY FOLLOW WHEN TRANSITIONING THE CUSTOMERS ONTO THE UTILITY'S WATER SYSTEM?

A. As initially discussed in Cause No. 44162, the Utility acquired approximately 9,000 Aqua North customers in 2008, and then successfully transitioned these customers onto its system. The Utility plans to use the same procedures again in this case when connecting the Aqua Southwest customers. While there has been a relatively large amount of media coverage regarding the proposed acquisition and transition of the Aqua Southwest customers onto the Utility's system, the Utility learned from the 2008 Aqua North acquisition that it will be critically important

to communicate with the Aqua Southwest customers as the Utility moves toward interconnection.

3 4

5

6

7

8

9

10

11

12

13

14

15

1

2

26. Q. HOW DOES THE UTILITY PLAN ON COMMUNICATING WITH THE AQUA SOUTHWEST CUSTOMERS ABOUT THE TRANSITION FROM AQUA TO THE UTILITY?

A. The communication with the Customers will be two-fold. First, the Utility will seek to publish or air notices (and/or articles) in the local media at least one week prior to the proposed interconnection dates for each phase. Second, the Utility will follow up with direct mailings and/or door hangers 1-2 days prior to integration and conversion of each phase to Utility water. Information included in the Utility's communications with the customers will include the specified date for conversion, advice on what customers should do during the transition period and associated flushing, as well as notification on Utility water quality and the use of chloramines as a disinfectant residual in Utility water.

16 17

18

27. Q. WHEN TRANSITIONING ONTO THE UTILITY'S SYSTEM, WILL THE **CUSTOMERS AQUA** SOUTHWEST EXPERIENCE ANY 19 INTERRUPTIONS IN SERVICE?

No, they will not - - the Aqua Southwest customers should never be without 20 A. 21 water. As the Utility begins to transition customers onto its system, the Utility 22 will close the Aqua valves that are supplying the water while at the same time 23 beginning to open the Utility's valves. The Utility will also open simultaneously 24 select hydrants on the Aqua Southwest system to flush out the Aqua water and 25 draw in the Utility water. The Utility used the same procedure when transitioning 26 the Aqua North customers onto its system and was able to connect the Aqua 27 North customers without any interruption in service. The Utility anticipates the 28 same type of transition in this case.

29

30

VII.

Benefit of Interconnection to Aqua Southwest Customers

3

A.

4 28. Q. IS IT YOUR OPINION THAT THE AQUA SOUTHWEST CUSTOMERS
5 VIEW THE TRANSITION FROM AQUA TO THE UTILITY AS A
6 POSITIVE OR NEGATIVE?

- Based on the 2008 integration of the Aqua North customers and the feedback we have recently received from the Aqua Southwest customers, I believe that most, if not all, of the Aqua Southwest customers believe the transition from Aqua to the Utility will be very positive. While Aqua has significantly improved its facilities since it originally purchased the assets in 2001, it still experiences water pressure and quality complaints, especially during higher usage periods. With the significant improvements that Aqua has made, there has also been a corresponding increase in rates which has not always been popular with Aqua's customers. In my opinion, most of the Aqua Southwest customers believe they will receive service from the Utility that is at least equal to the service they received from Aqua at a lower rate. Consequently, the Aqua Southwest customers have been very supportive and positive about transitioning from Aqua to the Utility.
- 21 29. Q. WILL THE INTERCONNECTION IMPROVEMENTS ADDRESS THE
 22 LINGERING WATER PRESSURE AND QUALITY ISSUES
 23 EXPERIENCED BY THE AQUA SOUTHWEST CUSTOMERS DURING
 24 HIGH USAGE PERIODS?
 - A. Yes, the Interconnection Improvements should address these issues. For example, some customers have complained about rust in their water, and the Aqua Southwest system has from time to time experienced inadequate water pressure during high usage months. Both issues may be linked to Aqua's source of water supply which, according to the 2012 IURC Audit, would need to be upgraded and improved absent the transaction proposed herein. The Interconnection Improvements will enable the Utility to integrate the Aqua Southwest customers

1			to the Utility's source of supply without performing the improvements
2			recommended in the 2012 IURC Audit. This integration should remedy the water
3			pressure and quality issues currently experienced by the Aqua Southwest
4			customers during high usage periods.
5			
6	30.	Q.	IS FORT WAYNE PROPOSING A SPECIAL OR DIFFERENT RATE FOR
7			THE AQUA SOUTHWEST CUSTOMERS?
8		A.	No, it is not. Fort Wayne is proposing to treat the Aqua Southwest customers like
9			any other customer and charge them the rates and charges currently on the
10			Utility's Commission-approved tariff.
11			
12	31.	Q.	ARE THE UTILITY'S RATES HIGHER OR LOWER THAN AQUA'S
13			CURRENT RATES?
14		A.	The Utility's rates and charges are lower than Aqua's rates and charges.
15			Assuming the transaction is approved, the Aqua Southwest customers should see
16			a savings.
17			
18	32.	Q.	HAS THE UTILITY QUANTIFIED THE POTENTIAL SAVINGS TO THE
19			AQUA SOUTHWEST CUSTOMERS?
20		A.	Yes, the typical Aqua Southwest residential customer will save between \$100 and
21			\$140 per year once connected to the Utility and paying the Utility's monthly user
22			rates.
23			
24			
25 26		Impac	VIII. t of Interconnection of Aqua Southwest Customers on Existing Customers
27			
28	33.	Q.	CAN YOU DESCRIBE THE ANTICIPATED DEMAND OF THE AQUA
29			SOUTHWEST CUSTOMERS ON THE UTILITY'S SYSTEM?
30		A.	Based upon historical usage, the Aqua Southwest system uses an average of three
31			million gallons per day with a peak day of approximately six million gallons per
32			day.

2 34. Q. DOES THE UTILITY HAVE A SUFFICIENT SOURCE OF SUPPLY AND TREATMENT CAPACITY TO MEET THE NEEDS OF BOTH ITS EXISTING AND AQUA SOUTHWEST CUSTOMERS?

A. Yes, it does. The Utility's primary source of supply consists of impoundment of water from the St. Joseph River and three reservoirs providing capacity of about 500 million gallons ("MG") in the Cedarville Reservoir, 260 MG in the St. Joseph River Dam Reservoir, and nearly 1.9 billion gallons in the Hurshtown Reservoir. The raw water is treated at the Three Rivers Filtration Plan ("Filtration Plant") which has a treatment design capacity of 72 million gallons per day ("MGD"). Currently the Utility's annual treatment rate averages approximately 30 MGD, with peak days reaching up to approximately 55MGD. Based on the facilities in service today, the Utility has sufficient production and treatment capacity to serve its existing and Aqua Southwest customers.

35. Q. WILL THE INCLUSION OF THE AQUA SOUTHWEST CUSTOMERS WITHIN THE UTILITY PROVIDE ECONOMIES OF SCALE THAT BENEFIT THE UTILITY'S EXISTING CUSTOMERS?

A. Yes, it will. By adding the 9,000 Aqua North Customers and now the 12,600 Aqua Southwest customers, the Utility will have a larger base over which to spread its fixed costs. Over the course of time, this should allow the City's rates to be more stable and provide a benefit to the Utility's existing customers.

24 36. Q. MR. WIRTZ, WILL APPROVAL OF THE PROPOSED TRANSFER 25 ALLOW THE UTILITY TO REDUCE OR AVOID CERTAIN COSTS?

A. Yes. Consistent with my prior testimony (as well as the testimony of Mr. Bruns),
Fort Wayne and Aqua have been engaged in litigation and negotiations for more
than a decade over the ownership and value of Aqua's North and Southwest
facilities. The parties have now agreed to a global settlement (i.e. the Acquisition
Agreement) that settles all the outstanding issues between the parties. In addition,

there are commitments from both parties on future planning and cooperation. As the Commission is well aware, protracted litigation is time consuming, expensive, and can divert valuable energy and resources away from the other needs of the Utility.

In addition to avoiding litigation costs, the construction of the Interconnection Improvements will allow the Utility to avoid the cost of certain capital improvements. For example, the completion of the Interconnection Improvements will negate the need to complete the originally proposed Dickey-Hadley transmission main and reduce the size of the South Bend-Engle looping project. Similarly, the Interconnection Improvements include some capital improvements, such as the 24-inch Smith Road main, that were previously scheduled to be completed to enhance service to the Utility's existing customers.

With the approval of the Acquisition Agreement, the Utility will be able to avoid rather significant litigation and capital improvement costs which, in turn, will benefit all of the Utility's current and future customers.

37. Q. WILL APPROVAL OF THE PROPOSED AGREEMENT AVOID DUPLICATION OF FACILITIES?

A. Yes. As I noted earlier in my testimony, the Utility currently has water distribution lines that are parallel to, and intersect with, Aqua's lines. By entering into (and receiving approval of) the Acquisition Agreement, the respective parties and their customers will no longer be individually paying for duplicative facilities. In other words, the Utility can plan and install a single set of facilities to serve a group of customers which should over time result in lower capital costs and rates.

38. Q. ASSUMING THE ACQUISITION AGREEMENT IS APPROVED AND THE INTERCONNECTION IMPROVEMENTS ARE COMPLETED, ARE

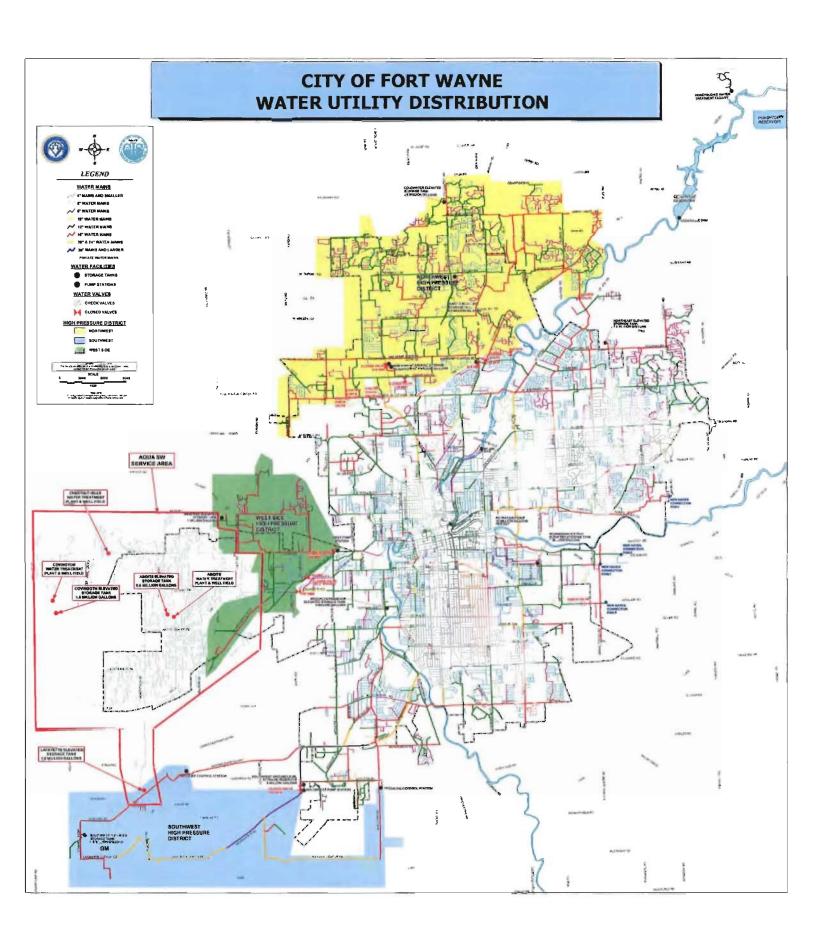
1			THERE OTHER BENEFITS TO THE UTILITY'S EXISTING
2			CUSTOMERS?
3		A.	Yes, there are. If the transaction is approved and the Utility is authorized to issue
4			bonds to construct the Interconnection Improvements, the Utility will see
5			increased redundancy for its customers in its West Side and Southwest High
6			Pressure Districts, especially for two of its large volume users, Lutheran Hospital
7			(in the west area of the Utility's service territory) and General Motors (in the
8			southwest).
9	39.	Q.	WILL APPROVAL OF THIS TRANSACTION REQUIRE FORT WAYNE
10			TO INCREASE ITS RATES AND CHARGES TO EXISTING
11			CUSTOMERS?
12		A.	No, it will not. As reflected in Mr. Clifford's prefiled testimony and exhibits, Fort
13			Wayne is requesting approval to complete this transaction without any change or
14			adjustments to its current rates and charges.
15			
16	40.	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
17		A.	Yes, it does.

VERIFICATION

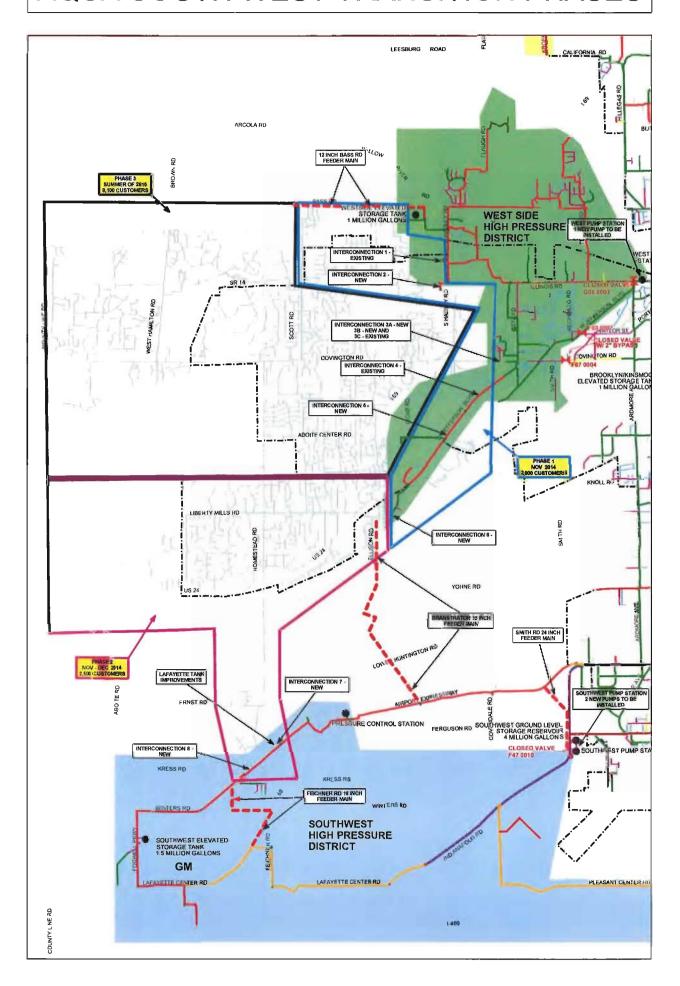
I affirm under the penalties of perjury that the foregoing testimony is true to the best of my knowledge, information, and belief as of the date here filed.

Matthew A. Wirtz, P.E.

	Units		nstruction Init Price	Co	onstruction Total			onstruction ontingency		Design 5%		Property / Easement		CM&I 5%
Minor Interconnections 1 Montclair - existing - removal of meter & hard pipe	1	\$	5,000	\$	5,000	0%	\$							
2 Illinois Rd - new - Covington Dells	1		15,000	\$	15,000	5%	\$	750.00	\$	500.00			S	750.00
3A Covington - existing- removal of meter & hard pipe		\$	5,000	\$	5,000	0%	\$	750.00	7	300.00			Þ	730.00
3B Covington - new 8"		\$	15,000	\$	15,000	5%	\$	750.00	\$	500.00			S	750.00
3C Covington - new 8"	1	\$	15,000	\$	15,000	5%	\$	750.00	\$	500.00			\$	750.00
4 Jefferson - existing (upsize to 12x12)- removal of meter & hard pipe	1		5,000	\$	5,000	0%	\$	750.00	7	300.00			Ą	730.00
5 Jefferson - new - at Aboite Center	1		15,000	\$	15,000	5%	\$	750.00	\$	500.00			\$	750.00
6A I-69 and Jefferson - new 12" - at Old Canal Place		\$	15,000	\$	15,000	5%	\$	750.00	\$	500.00			\$	750.00
6B 1-69 and Jefferson - new 8" - at Old Canal Place		\$	15,000	\$	15,000	5%	\$	750.00	\$	500.00			\$	750.00
7 LHR & I-69 - new 16" under LHR - S of Portage		\$	15,000	\$	15,000	5%	\$	750.00	\$	500.00			\$	750.00
8 LHR & I-69 - new 16" north of Kress Rd		\$	50,000	\$	50,000	10%	\$	5,000.00	\$	2,500.00			\$	2,500.00
Subtotal	1	-	30,000	\$	170,000	10%	\$	10,250	\$	6,000.00	٠		\$	7,750.00
Suprotal				J	170,000		Ą	10,230	Ą	0,000.00	J		J	7,730.00
Water Main Extension System Improvements														
Smith Road Water Main Ext - new 24"	5,200	¢	155	\$	806,000	5%	\$	40,300.00	\$	40,300.00	\$	10,000.00	\$	40,300.00
Feighner Rd Extension - new 16"	7,500	-	115	\$	862,500	5%	\$	43,125.00	\$	43,125.00		10,000.00		43,125.00
Branstrator / Ellison Parallel Pipe - new 16" (69 and RR crossing)	14,500		125	\$	1,812,500	5%	\$	90,625.00	\$	90,625.00		5,000.00		90,625.00
Bass Road - 2 sections - new 12"	5,000		90	\$	450,000	5%	\$	22,500.00	\$	22,500.00		10,000.00		22,500.00
Subtotal	32,200	-		\$	3,931,000	3/0	\$	196,550	\$	196,550		35,000		196,550
Subtotal	32,200			Þ	3,331,000		Þ	130,330	Þ	190,330	Ą	33,000	Ą	196,330
Tank & Pumping System Improvements West & Southwest Pressure Zone improvements - including telemetry, programming, pumps at both pump stations, two Pressure Control Stations, tank altitude valves, and the LPS)	1	\$	2,200,000	\$	2,200,000	10%	\$	220,000.00	\$	110,000.00			\$	110,000.00
Subtotal				\$	2,200,000		\$	220,000	\$	110,000	\$		\$	110,000
Meters Replacement of approximately X large meters and touch read with new meters and AMR radios Replacement of approximately 2,200 old meters and touch read with new meters and AMR radios		\$	100,000 425,000	\$	100,000 425,000	10%	\$	10,000.00 21,250.00	\$	5,000.00 21,250.00			\$	5,000.00 21,250.00
Subtotal				\$	525,000		\$	31,250	\$	26,250	ς_		\$	26,250
Subtotal				Ş	323,000		Þ	51,250	Ş	20,230	Þ		Þ	20,230
Total			- :	\$	6,826,000		\$	458,050	\$	338,800	\$	35,000	\$	340,550
		-	7 000 100											



AQUA SOUTH WEST TRANSITION PHASES



PETITIONERS' EXHIBIT 5

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF THE CITY OF FORT)	
WAYNE, INDIANA, AND UTILITY)	
CENTER, INC. d/b/a AQUA INDIANA, INC.)	
FOR THE APPROVAL OF TRANSFER OF)	CAUSE NO. 44503
CERTAIN WATER FACILITIES AND)	
ISSUANCE OF WATERWORKS REVENUE)	
BONDS)	

DIRECT TESTIMONY AND EXHIBITS

OF

ROBERT J. CLIFFORD, CPA

ON BEHALF OF JOINT PETITIONERS, FORT WAYNE MUNICIPAL WATER UTILITY AND UTILITY CENTER, INC.

1 2		FORT	WAYNE MUNICIPAL WATER UTILITY AND UTILITY CENTER, INC. IURC Cause No. 44503
3			Direct Testimony of Robert J. Clifford, CPA
4 5			I.
6			Personal Background
7 8	1.	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
9		A.	My name is Robert J. Clifford and my business address is 8365 Keystone Crossing,
10			Suite 300, Indianapolis, Indiana 46240.
11			
12	2.	Q.	WHAT IS YOUR PROFESSION AND WHERE ARE YOU EMPLOYED?
13		A.	I am a Certified Public Accountant with the firm of H.J. Umbaugh & Associates
14			("Umbaugh"), Certified Public Accountants, LLP.
15			
16	3.	Q.	CAN YOU DESCRIBE UMBAUGH AND ITS AREA OF EXPERTISE?
17		A.	Umbaugh is a firm of Certified Public Accountants practicing exclusively as
18			independent financial advisors and utility consultants. The firm, in existence for
19			over sixty (60) years, is a regional CPA firm with offices in Indianapolis and
20			Mishawaka, Indiana, and Lansing, Michigan. Our firm has concentrated its practice
21			on providing financial advisory services to various governmental entities and not-
22			for-profit utilities within the State of Indiana and surrounding states. A large part of
23			our practice involves accounting studies in connection with changes in utility rates
24			and financial planning for the issuance of tax-exempt bonds and other evidences of
25			indebtedness.
26			
27	4.	Q.	WHAT IS YOUR EDUCATIONAL EXPERIENCE?

In May 1981, I received a Bachelor of Science Degree in Business from Indiana University Kelley School of Business in Bloomington, Indiana, and in December of 1996, I received my Master of Business Administration from Indiana University Kelley School of Business, Indianapolis, Indiana. Since then I have completed various professional courses sponsored by the American Institute of Certified Public Accountants, American Public Power Association, Indiana CPA Society, the American Water Works Association, and other professional organizations.

A.

A.

5. Q. PLEASE DESCRIBE YOUR RELEVANT PROFESSIONAL EXPERIENCE.

I joined Arthur Andersen & Co in Chicago, Illinois, in June of 1981, and worked as an auditor in the Regulated Industries audit division where I completed my requirements to become a licensed Certified Public Accountant. In 1984, I transferred to the Indianapolis office of Arthur Andersen and again primarily worked with regulated utility clients. From November of 1992 through March of 2000, I worked as the Controller and Vice President of Finance and Accounting at the Indiana Municipal Power Agency. Between 2000 and 2007, I worked for the City of Indianapolis as its Bond Bank Director and City Controller. In 2008, I joined Umbaugh, and became a Principal in the firm in January of 2011. During the past six (6) years with Umbaugh, I have been involved with many professional engagements including financial studies for municipally-owned electric, water, and sewage utilities, and not-for-profit gas corporations. These studies have often involved the determination of utility revenue requirements, cost of service studies,

1			utility valuations, and the financial planning associated with the issuance of tax-
2			exempt and taxable bonds and loans.
3			
4	6.	Q.	WHAT PROFESSIONAL ORGANIZATIONS ARE YOU ASSOCIATED
5			WITH?
6		A.	I am a member of the American Institute of Certified Public Accountants, The
7			American Water Works Association, and the Indiana CPA Society, and our firm is a
8			member of both the Indiana Rural Water Association and the Indiana Water and
9			Wastewater Alliance.
10			
11	7.	Q.	HAVE YOU TESTIFIED BEFORE AS AN EXPERT WITNESS?
12		A.	I have assisted in the preparation of pre-filed testimony and exhibits since the
13			1980's, but I have not previously testified before the Indiana Utility Regulatory
14			Commission ("Commission").
15			
16 17 18			II. Scope of Representation
19	8.	Q.	WAS YOUR FIRM RETAINED BY THE FORT WAYNE CITY UTILITIES
20			("FORT WAYNE" OR "UTILITY") IN CONNECTION WITH THESE
21			PROCEEDINGS?
22		A.	Yes, we were. I would also note that we were retained to advise Fort Wayne during
23			the negotiations which resulted in the execution of the May 14, 2014 Utility System
24			Asset Acquisition Agreement ("Acquisition Agreement") (See Exhibit 1 to Verified
25			Petition).

9. Q. MR. CLIFFORD, PLEASE DESCRIBE THE NATURE AND SCOPE OF YOUR WORK FOR FORT WAYNE DURING THE NEGOTIATIONS THAT RESULTED IN THE ACQUISITION AGREEMENT.

As noted by Mr. Matthew Wirtz and Mr. Thomas Bruns in their respective testimonies, the negotiations and the proceedings for the approval of the Acquisition Agreement have been ongoing for almost two years. Consequently, the bulk of our work thus far has been to assist Fort Wayne in evaluating the financial considerations arising out of the different proposals that eventually resulted in the Acquisition Agreement. As the parties moved towards a final agreement, our role was to consider the potential rate impact of, and appropriate financing vehicle for, all the hard and soft costs associated with: (i) acquiring the water system assets in the Southwest territory ("Aqua Southwest") of Utility Center, Inc., d/b/a Aqua Indiana, Inc. ("Aqua"); (ii) integrating the Aqua Southwest system into the Utility; and (iii) paying the costs associated with settling the ongoing legal issues resulting from Fort Wayne's acquisition of the water and wastewater assets in Aqua's former northern territory ("Aqua North") (collectively, "Project Costs").

A.

A.

18 10. Q. WOULD YOU BRIEFLY DESCRIBE THE PURPOSE FOR WHICH YOU 19 WERE RETAINED IN THIS PROCEEDING?

Yes. Umbaugh was retained by the Utility to prepare a special purpose accounting report ("Report") outlining the financial aspects of borrowing the funds necessary to satisfy the Utility's obligations arising out of the Acquisition Agreement (i.e. paying the Project Costs). It was anticipated that the Report would be used to support the Utility's request to issue long term debt in this Cause.

1 2 3			III. <u>Report</u>
4	11.	Q.	HAVE YOU COMPLETED THE FINAL REPORT?
5		A.	Yes, we have. Our firm has prepared and finalized the Report, dated July 3, 2014.
6			For the Commission's reference, I have attached a copy the Report to my testimony
7			as Petitioners' Exhibit 6. The Report sets forth our analysis of the financial
8			requirements of the Utility and our conclusions regarding the terms of the proposed
9			financing that the Utility plans to complete (with Commission approval) to pay the
10			Project Costs.
11			
12 13	12.	Q.	WAS THE ACCOUNTING REPORT PREPARED BY YOU OR UNDER YOUR SUPERVISION?
14		A.	Yes, it was.
15			
16	13.	Q.	WOULD YOU PLEASE EXPLAIN THE REPORT TO THE EXTENT IT IS
17			NOT OTHERWISE SELF-EXPLANATORY?
18		A.	The Report is divided into three (3) sections. The first section (pages 1 through 3)
19			contains a letter from Umbaugh to the Utility regarding the purpose of the Report, as
20			well as general comments about specific portions of the Report. The second section
21			(pages 4 through 12) contains pro forma financial information reflecting the Project
22			Costs and the anticipated funding to pay the same. The information presented
23			includes the summarized Project Costs, the amortization schedule of the proposed
24			bond issue, a calculation of the pro forma operating expenses after the closing on the
25			bonds and pro forma revenues, revenue requirements, and the debt service coverage

after the closing. The third section of the Report (pages 13 to 28) contains additional unaudited financial information regarding the test year ended November 30, 2013, and comparative financial information for the three preceding calendar years 2010 through 2012.

Returning to the second section of the Report, page 4 contains an estimate of the acquisition, integration, and metering costs proposed by the Utility. The financial consideration to be paid by the Utility for the Aqua North and Southwest systems, which including a series of independent agreements, is \$67,000,000 with \$16,900,000 having already been paid (see Final Order in Cause No. 44162, dated October 17, 2012). The Utility estimates that an additional \$7.4 million will be required to fully integrate the Aqua Southwest system into the Utility, and an additional \$600,000 will be needed to install compatible meters. Other costs, estimated at \$4,900,000, include allowances for financing and legal costs associated with the transaction and the pre-funding of a \$3.1 million debt service reserve. The total Project Costs to be financed are estimated to be \$63 million. The Project Costs will be funded from the proceeds of \$63 million of waterworks revenue bonds (the "Bonds") which may be issued in multiple series, if needed.

The anticipated amortization of the proposed Bonds to be repaid over twenty years is shown on page 5 of the report. Principal repayment on the Bonds is proposed to be paid annually over an eighteen-year period beginning on December 1, 2015. On or

Direct Testimony of Robert J. Clifford, CPA On Behalf of Joint Petitioners IURC Cause No. 44503

after on June 1, 2033, principal payments are assumed to be made semi-annually to reduce interest carrying costs. Interest is shown to be paid semiannually beginning December 1, 2014, at assumed interest rates ranging from 0.85 percent to 4.65 percent. Interest rates were estimated using the "MMD" rates from April 2, 2014, for an A rated bond plus an additional 50 basis points to each maturity. Actual interest rates will be determined through competitive bidding. Principal payments have been "wrapped around" or structured to allow for a more level combined annual debt service on all outstanding and proposed bonds and to mitigate the impact on future rates.

Page 6 of the Report presents the combined the debt service requirements of the 2003, 2005, 2006, 2011A, 2011B and 2012 Bonds and the proposed 2014 Bonds. The pro forma combined average annual debt service is \$12.6 million for the five bond years ending December 1, 2019. Once the proposed bonds are sold, the annual debt service requirement will be adjusted to reflect the actual interest rates resulting from the competitive sale.

Pages 7 and 8 of the Report present the pro forma annual cash operating expenses. Pro forma adjustments to test year expenses have been made for estimated 2014 and 2015 inflation and the estimated cost of servicing Fort Wayne's new customers in the Aqua Southwest area.

The test year cash operating expenses, of \$22,166,100 have been increased by \$2,324,700 to arrive at pro forma 2015 annual cash operating expenses of \$24,490,800. The adjustments to cash operating expenses include anticipated annual inflation of 3% compounded, and the incremental cost of servicing the new Aqua Southwest customers. These incremental costs include the cost of producing 117,150,000 gallons of water, increasing the staffing by six new employees, additional URT, and an estimate for contingencies.

9 14. Q. IN MR. BRUNS TESTIMONY HE NOTED THAT 10 AQUA EMPLOYEES 10 WOULD BE JOINING THE UTILITY. WHY DID YOUR PRO FORMA 11 ADJUSTMENT ONLY INCLUDE SIX EMPLOYEES?

A. The Utility plans to increase its overall staffing by six as a result of taking over the Aqua Southwest system. Four other Aqua employees will be hired to fill vacancies within the Utility.

A.

16 15. Q. PLEASE CONTINUE WITH THE DESCRIPTION OF YOUR REPORT.

Pages 9 through 11 summarize the 2015 pro forma annual operating revenues of the Utility based on revenues contained in the Commission's Order in Cause No. 44162, plus the additional revenues from the Aqua Southwest customers. In addition, a one percent (1%) growth factor has been applied to the number of Aqua Southwest customers for each year. Estimated consumption for the Aqua Southwest customers was based on actual data provided by Aqua for the twelve months ended May 31, 2013, normalized to eliminate the effects of the drought experienced in June and July of 2012. Revenues for the estimated consumption were determined using rates and

1			charges approved by the Commission in Cause No. 44162. The pro forma revenues
2			have also been adjusted to reflect the number of current customers assessed the
3			public and private fire protection charges.
4			
5			Pro forma revenues for the twelve months ending December 31, 2015, from Cause
6			No. 44162 of \$41,853,408 have been increased by \$4,993,900 to arrive at pro forma
7			annual revenues of \$46,847,308.
8			
9	16.	Q.	DOES THIS CONCLUDE YOUR EXPLANATION OF THE REPORT?
10		A.	Yes, it does.
11 12 13 14			IV. Terms of Proposed Financing
15	17.	Q.	MR. CLIFFORD, CAN YOU SUMMARIZE THE FINANCING AUTHORITY
16			THAT FORT WAYNE SEEKS IN THIS CAUSE?
17		A.	Yes, I can. Fort Wayne seeks to incur long term debt in an amount not to exceed \$63
18			million. The proposed term for repayment of the long term debt will be a maximum
19			of 20 years and the maximum interest rate will be 5.5%. I would note that while
20			estimated a maximum interest rate of only 4.65% in the Report, Fort Wayne seeks
21			approval to issue debt at a slightly higher rate in the event interest rates increase
22			between now and the actual closing on the transaction.
23			
24	18.	Q.	IS IT YOUR OPINION THAT THE ISSUANCE OF WATERWORKS
25			REVENUE BONDS BY THE UTILITY IS A REASONABLE METHOD OF
26			FINANCING THE COSTS OF THE PROPOSED ACQUISITION?

1		A.	Yes it is.
2			
3 4	19.	Q.	DO YOU BELIEVE THE PROPOSED FINANCING TERMS ARE REASONABLE?
5		A.	Yes, I do. Fort Wayne plans on using competitive bidding in an effort to place the
6			Bonds with the most competitive terms. Based on my experience, I believe the
7			proposed terms are reasonable.
8			
9 10	20.	Q.	BASED ON YOUR ANALYSIS OF THE UTILITY'S PROFORMA REVENUES AND REVENUE REQUIREMENTS AFTER THE CLOSING
11			WITH AQUA, WILL THE UTILITY HAVE SUFFICIENT FUNDS TO MEET
12			THE REQUIREMENTS OF IND. CODE 8-1.5-2-19?
13		A.	Yes. Page 12 summarizes the Pro Forma 2015 annual revenues, revenue
14			requirements, and debt service coverage after the closing on, and integration of, the
15			Aqua Southwest customers. The resulting pro forma debt service coverage of 159%
16			exceeds the requirements of Ind. Code 8-1.5-2-19(b) which requires the utility to
17			demonstrate that it has sufficient funds for the operation, maintenance, and the
18			depreciation of the utility, and to pay the principal and interest on the proposed bond
19			issue, together with a surplus or margin of at least ten percent in excess before the
20			Commission can approve the issuance of additional bonds.
21			
22	21.	Q.	ARE YOU RECOMMENDING THAT THE UTILITY INCREASE ITS
23			RATES AND CHARGES AS A RESULT OF THE PROPOSED
24			BORROWING?

A. No, I am not. The Report and debt service coverage of 159% (in the Report) assume that the Utility will maintain rates and charges at their current level. In addition, I have assumed that the Aqua Southwest customers will not pay Aqua's existing rates, but instead pay the same rates and charges as Fort Wayne's existing customers.

6 22. Q. IF THIS TRANSACTION IS APPROVED, WILL THE AQUA SOUTHWEST 7 CUSTOMERS SEE A RATE REDUCTION?

A. Yes, they will. As Mr. Wirtz correctly noted in his testimony, a typical Aqua Southwest residential customer will see savings of between \$100 and \$140 per year.

11 23. Q. MR. CLIFFORD, DO YOU BELIEVE THE TERMS AND CONDITIONS IN 12 THE ACQUISITION AGREEMENT ARE FAIR, REASONABLE, AND IN 13 THE BEST INTEREST OF FORT WAYNE, ITS CUSTOMERS, AND THE 14 AQUA SOUTHWEST CUSTOMERS?

A. Yes, I do. As noted by Messrs. Bruns and Wirtz in their respective testimonies, the time, energy, and resources that have been expended over the last 12 years in litigation between the parties will now end. While I am not familiar with its most intimate details, the terms and conditions of the Acquisition Agreement allow the Utility to issue long-term debt in an amount to satisfy its financial obligations (under the Acquisition Agreement), maintain the Utility's rates at their existing levels, and significantly lower the rates for the Aqua Southwest customers. When also considering that the Aqua Southwest customers will receive service at least equal to their current service from Aqua, I believe the terms of the Acquisition Agreement are reasonable and in the best interest of both the Fort Wayne and Aqua customers.

1			I also agree with Mr. Wirtz's sentiment that absent the execution of the Acquisition
2			Agreement, the litigation expense could have easily exceeded any savings from
3			further litigation or negotiations. In my professional opinion, I believe the terms and
4			conditions of the Acquisition Agreement are reasonable and in the best interest of
5			Fort Wayne and its customers.
6			
7 8 9 10	24.	Q. A.	DO YOU BELIEVE THAT THE COMMISSION SHOULD APPROVE THE FINANCING REQUESTED HEREIN, AS WELL AS THE TERMS AND CONDITIONS IN THE ACQUISITION AGREEMENT? Yes, absolutely.
12 13	25.	Q. A.	DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CAUSE? Yes it does.

VERIFICATION

I affirm under the penalties of perjury that the foregoing testimony is true to the best of my knowledge, information, and belief as of the date here filed.

Robert J. Clifford, CPA

Exhibit 6

IURC Cause No. 44503

Accounting Report On Proposed Acquisition and Bond Issue

Fort Wayne, Indiana Municipal Water Utility

July 3, 2014

Umbaugh Certified Public Accountants Indianapolis, Indiana

TABLE OF CONTENTS

ACCOUNTANTS' COMPILATION REPORT

Page(s)

2 - 3 General Comments

PRO FORMA FINANCIAL INFORMATION

4	Schedule of Estimated Acquisition Costs and Funding
5	Schedule of Amortization of \$63,000,000 Principal Amount of Proposed
	Waterworks Revenue Bonds of 2014
6	Pro Forma Schedule of Proposed Combined Bond Amortization
7 - 8	Pro Forma Annual Cash Operating Expenses
9 - 11	Calculation of Pro Forma Annual Revenues
12	Pro Forma 2015 Annual Revenues, Revenue Requirements and Debt Service
	Coverage

UNAUDITED SUPPLEMENTAL FINACIAL DATA

13 - 14	Comparative Statement of Net Position
15	Comparative Statement of Revenues, Expenses and Changes in Net Position
16 - 17	Comparative Statement of Cash Flows
18	Comparison of Account Balances With Minimum Balances Required
19	Schedule of Amortization of \$1,885,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2003
20	Schedule of Amortization of \$10,840,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2005
21	Schedule of Amortization of \$19,325,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2006
22	Schedule of Amortization of \$1,320,000 Principal Amount of Outstanding Taxable Waterworks Revenue Bonds of 2011, Series A
23	Schedule of Amortization of \$26,905,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2011, Series B
24	Schedule of Amortization of \$39,410,000 Principal Amount of Outstanding Waterworks Revenue Bonds of 2012
25	Schedule of Outstanding Combined Bond Amortization
26 - 28	Schedule of Water Rates and Charges



H. J. Umbaugh & Associates Certified Public Accountants, LLP 8365 Keystone Crossing Suite 300 Indianapolls, IN 46240-2687 Phone: 317-465-1500 Fax: 317-465-1550 www.umbaugh.com

ACCOUNTANTS' COMPILATION REPORT

July 3, 2014

Mr. Kumar Menon, Director of Utilities City of Fort Wayne 200 East Berry Street Fort Wayne, IN 46802-1804

In connection with the Fort Wayne Water Utility's proposed acquisition of the southwest territory of Utility Center, Inc., doing business as Aqua Indiana, Inc., we have, at your request compiled this special purpose report for submission to the Indiana Utility Regulatory Commission.

This special purpose report has been prepared for the purpose of requesting approval from the Indiana Utility Regulatory Commission to issue bonds to finance the acquisition and integration cost of the southwest territory and to settle all ongoing legal issues pertaining to Fort Wayne Utilities acquisition of the northern territory of Utility Center, Inc., doing business as Aqua Indiana, Inc. and this report should not be used for any other purpose.

Further, the pro forma information in this report which has not been compiled, reviewed or audited by us, is based upon unaudited financial information for the twelve months ended November 30, 2013, which was compiled by us and assumptions provided by management. This pro forma financial information is prepared for the purpose of showing the estimated financial effects on the utility's revenue and revenue requirements from the acquisition of the southwest territory of Utility Center, Inc., doing business as Aqua Indiana, Inc. and the issuance of bonds to finance the acquisition and integration costs. The actual results achieved may vary from the pro forma information and the variations may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have also compiled the accompanying comparative statement of net position of the water utility as of December 31, 2010, 2011, 2012 and as of November 30, 2013, and the related comparative statements of revenues, expenses, and changes in net position, and cash flows for the periods then ended and supplementary data. We have not audited or reviewed the accompanying historical financial statements and supplementary data, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the water utility's financial position, results of operations and its cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Undagli

GENERAL COMMENTS

The City of Fort Wayne, Indiana owns and operates the Fort Wayne Municipal Water Utility (the "Utility"). The Utility provides water services to over 85,500 residential, commercial, industrial and sales for resale customers. The Utility, acting through the Common Council, has proposed to acquire the water assets of the southwest territory of Utility Center, Inc., doing business as Aqua Indiana, Inc. This acquisition will complete the acquisition of Utility Center, Inc., doing business as Aqua Indiana, Inc. water assets in the greater Fort Wayne area. Previously, the Utility paid Utility Center, Inc., doing business as Aqua Indiana, Inc. \$16.9 million for its north territory.

Schedule of Estimated Acquisition Costs and Funding - Page 4

This schedule shows the total estimated acquisition costs which include both the north and southwest assets for a purchase price of \$67 million less the \$16.9 million already paid for the north assets, an additional \$8 million for integration and metering costs and approximately \$5 million for financing costs. This results in an estimated \$63 million bond issue.

Schedule of Amortization of \$63,000,000 Principal Amount of Proposed Waterworks Revenue Bonds of 2014 - Page 5

The amortization of the \$63,000,000 principal amount of proposed Waterworks Revenue Bonds of 2014 ("Proposed Bonds") will mature over a period of approximately twenty years with the final bonds due December 1, 2034. The Bonds are amortized around existing bonds at assumed interest rates ranging from 0.85% to 4.65%. Actual interest rates will be determined by competitive bidding.

Pro Forma Schedule of Combined Bond Amortization - Page 6

The principal and interest payments of the Waterworks Revenue Bonds of 2003, the Waterworks Revenue Bonds of 2005, the Waterworks Revenue Bonds of 2006, the Taxable Waterworks Revenue Bonds of 2011, Series A, the Waterworks Revenue Bonds of 2011, Series B, the Waterworks Revenue Bonds of 2012 (collectively the "Outstanding Bonds") and the Proposed Bonds are shown on this schedule based upon the assumed interest rates. The combined annual debt service payments for the five bond years ending December 1, 2019 is estimated to average approximately \$12,600,000.

Pro Forma Annual Cash Operating Expenses - Pages 7 - 8

The recorded cash operating expenses for the twelve months ended November 30, 2013 have been adjusted for inflation and the additional costs associated with serving the former Utility Center, Inc., doing business as Aqua Indiana, Inc. customers as explained on pages 7 and 8 to arrive at the pro forma annual cash operating expenses.

Calculation of Pro Forma Annual Revenues - Pages 9 - 11

The pro forma revenues include the 2014 revenues shown in IURC Cause No. 44162-COSS, petitioner's Exhibit KAH –S6 adjusted by the 5.7% across the board increase in rates granted by the IURC in Cause No. 44162 for Phase III. The revenues were further adjusted for the addition of the former Utility Center, Inc., doing business as Aqua Indiana, Inc. customers as explained on pages 10 and 11.

Pro Forma 2015 Annual Revenues, Revenue Requirements and Debt Service Coverage - Page 12

Pro forma revenues for 2015 including the Phase III rate increase and the addition of the customers from the southwest territory are estimated to be approximately \$46.9 million.

(Continued on next page)

(Cont'd)

GENERAL COMMENTS

The 2015 pro forma cash operating expenses are estimated to be approximately \$24.5 million, this results in net cash before payment in lieu of taxes of approximately \$22.4 million. Subtracting payment in lieu of taxes of approximately \$2.35 million for the twelve months ended November 30, 2013 results in approximately \$20 million available for debt service. Average annual debt service for the 5 years ended December 1, 2019 is estimated at approximately \$12.6 million which results in pro forma debt service coverage of 159% after payments in lieu of tax. Pro forma debt service coverage is calculated at 178% before consideration of the payment in lieu of tax. Accordingly, Fort Wayne meets the requirements of IC 8-1.5-2-19 (b) for issuance of additional bonds.

FORT WAYNE (INDIANA) MUNICIPAL WATER UTILITY Fort Wayne, Indiana

PRO FORMA FINANCIAL INFORMATION

SCHEDULE OF ESTIMATED ACQUISITION COSTS AND FUNDING (Per Consulting Engineers)

ESTIMATED ACQUISITION COSTS

Estimated Purchase Price and Integration Costs:	
Purchase of Utility Center, Inc., doing business as Aqua	
Indiana, Inc North and Southwest Assets	\$67,000,000
Less: amount previously paid for North assets	(16,900,000)
Integration of Southwest areas	7,400,000
Metering cost	600,000
Total Estimated Purchase Price and Integration Costs	58,100,000
Estimated Financing Costs:	
Deposit to debt service reserve	3,127,225
Allowance for underwriter's discount (1.0%)	630,000
Costs of issuance (financing)	342,775
Costs of issuance (legal)	800,000
Total Estimated Financing Costs	4,900,000
Total Estimated Acquisition Costs	\$63,000,000
ESTIMATED FUNDING	
Proposed Waterworks Revenue Bonds of 2014	\$63,000,000

SCHEDULE OF AMORTIZATION OF \$63,000,000 PRINCIPAL AMOUNT OF PROPOSED WATERWORKS REVENUE BONDS OF 2014

Principal payable annually on December 1st for years 2015 through 2032, beginning December 1, 2015.

Principal payable semiannually on June 1st and December 1st, beginning June 1, 2033.

Interest payable semiannually on June 1st and December 1st, beginning December 1, 2014.

Assumed interest rates as indicated.

Assumes bonds are dated October 21, 2014.

Payment	Principal		Assumed Interest			Bond Year
Date	Balance	Principal	Rates	Interest	Total	Total
		,000's)	(%)	(In Dollars	
	(,,	(, -,	`	=	,
12/1/2014	\$63,000			\$283,171.11	\$283,171.11	\$283,171.11
6/1/2015	63,000			1,274,270.00	1,274,270.00	
12/1/2015	63,000	\$580	0.85	1,274,270.00	1,854,270.00	3,128,540.00
6/1/2016	62,420			1,271,805.00	1,271,805.00	
12/1/2016	62,420	585	1.10	1,271,805.00	1,856,805.00	3,128,610.00
6/1/2017	61,835			1,268,587.50	1,268,587.50	
12/1/2017	61,835	590	1.50	1,268,587.50	1,858,587.50	3,127,175.00
6/1/2018	61,245			1,264,162.50	1,264,162.50	
12/1/2018	61,245	600	1.85	1,264,162.50	1,864,162.50	3,128,325.00
6/1/2019	60,645			1,258,612.50	1,258,612.50	
12/1/2019	60,645	610	2.25	1,258,612.50	1,868,612.50	3,127,225.00
6/1/2020	60,035			1,251,750.00	1,251,750.00	
12/1/2020	60,035	695	2.70	1,251,750.00	1,946,750.00	3,198,500.00
6/1/2021	59,340			1,242,367.50	1,242,367.50	-, ,-
12/1/2021	59,340	715	3.10	1,242,367.50	1,957,367.50	3,199,735.00
6/1/2022	58,625			1,231,285.00	1,231,285.00	, ,
12/1/2022	58,625	3,590	3.40	1,231,285.00	4,821,285.00	6,052,570.00
6/1/2023	55,035	-,		1,170,255.00	1,170,255.00	.,,
12/1/2023	55,035	3,710	3.60	1,170,255.00	4,880,255.00	6,050,510.00
6/1/2024	51,325	5,710	3.00	1,103,475.00	1,103,475.00	0,000,0100
12/1/2024	51,325	3,820	3.75	1,103,475.00	4,923,475.00	6,026,950.00
6/1/2025	47,505	5,020	3.75	1,031,850.00	1,031,850.00	0,020,750.00
12/1/2025	47,505	3,965	3.85	1,031,850.00	4,996,850.00	6,028,700.00
6/1/2026	43,540	3,700	0.00	955,523.75	955,523.75	0,020,700.00
12/1/2026	43,540	4,090	4.00	955,523.75	5,045,523.75	6,001,047.50
6/1/2027	39,450	1,070		873,723.75	873,723.75	0,001,017.50
12/1/2027	39,450	4,255	4.10	873,723.75	5,128,723.75	6,002,447.50
6/1/2028	35,195	1,000		786,496.25	786,496.25	0,002,11100
12/1/2028	35,195	4,430	4.20	786,496.25	5,216,496.25	6,002,992.50
6/1/2029	30,765	1,100		693,466.25	693,466.25	0,00=,772.30
12/1/2029	30,765	4,615	4.30	693,466.25	5,308,466.25	6,001,932.50
6/1/2030	26,150	1,015	1.50	594,243.75	594,243.75	0,001,752.50
12/1/2030	26,150	4,815	4.40	594,243.75	5,409,243.75	6,003,487.50
6/1/2031	21,335	,,010	,0	488,313.75	488,313.75	0,005,101.50
12/1/2031	21,335	5,025	4.50	488,313.75	5,513,313.75	6,001,627.50
6/1/2032	16,310	2,0-10	****	375,251.25	375,251.25	0,002,021150
12/1/2032	16,310	5,195	4.55	375,251.25	5,570,251.25	5,945,502.50
6/1/2033	11,115	2,715	4.60	257,065.00	2,972,065.00	2,5 10,002.00
12/1/2033	8,400	2,720	4.60	194,620.00	2,914,620.00	5,886,685.00
6/1/2034	5,680	2,840	4.65	132,060.00	2,972,060.00	3,000,003.00
12/1/2034	2,840	2,840	4.65	66,030.00	2,906,030.00	5,878,090.00
	Totals	\$63,000	=	\$37,203,823.61	\$100,203,823.61	\$100,203,823.61

PRO FORMA SCHEDULE OF PROPOSED COMBINED BOND AMORTIZATION

Payment			Outsta	nding			Proposed		Bond Year
Date	2003 Bonds	2005 Bonds	2006 Bonds	2011A Bonds	2011B Bonds	2012 Bonds	2014 Bonds	Total	Total
06/01/14	\$38,631.25	\$218,265.63	\$381,668.75	\$24,723.60	\$399,135.73	\$535,775.00		\$1,598,199.96	
12/1/2014	478,631.25	1,693,265.63	2,481,668.75	1,344,723.60	400,135.73	1,460,775.00	\$283,171.11	8,142,371.07	9,740,571.03
06/01/15	29,831.25	188,765.63	340,193.75	1,40 / 1,1 == 100	399,120.89	526,525.00	1,274,270.00	2,758,706.52	3,740,571.05
12/1/2015	489,831.25	1,718,765.63	2,525,193.75		1,571,120.89	1,671,525.00	1,854,270,00	9,830,706.52	12,589,413.04
06/01/16	20,631.25	158,165.63	297,040.00		381,734.27	515,075.00	1,271,805,00	2,644,451.15	12,505, 115,01
12/1/2016	500,631.25	1,748,165.63	2,567,040.00		1,595,734.27	1,675,075.00	1,856,805.00	9,943,451.15	12,587,902.30
06/01/17	10,731.25	126,365.63	252,207.50		363,724.58	503,475.00	1,268,587.50	2,525,091.46	12,367,302.30
12/1/2017	515,731.25	1,776,365.63	2,612,207.50		1,621,724.58	1.678,475.00	1,858,587.50	10,063,091.46	12,588,182.92
06/01/18	515,751.25	93,365.63	205,597.50		345,062.15	491,725.00	1,264,162.50	2,399,912.78	12,500,102.52
12/1/2018		2,343,365.63	2,660,597.50		1,649,062.15	1,671,725.00	1,864,162.50	10,188,912.78	12,588,825.56
06/01/19		48,365.63	157,111,25		325,717.31	479,925.00	1,258,612.50	2,269,731.69	12,500,02550
12/1/2019		2,393,365.63	2,707,111.25		1,676,717.31	1,674,925.00	1,868,612.50	10,320,731.69	12,590,463.38
06/01/20			106,748.75		305,675.22	467,975.00	1,251,750.00	2,132,148.97	12,500,105.50
12/1/2020			2,756,748,75		1,706,675,22	2,592,975.00	1,946,750.00	9,003,148.97	11,135,297.94
06/01/21			54,411.25		284,891.38	446,725.00	1,242,367.50	2,028,395.13	, ,
12/1/2021			2,809,411.25		1,735,891.38	2,616,725.00	1,957,367.50	9,119,395.13	11,147,790.26
06/01/22			_,		263,365.79	425,025.00	1,231,285.00	1,919,675.79	12,111,130120
12/1/2022					1,767,365.79	2,635,025.00	4,821,285.00	9,223,675.79	11,143,351.58
06/01/23					241,053.95	391,875.00	1,170,255.00	1,803,183.95	11,115,051.00
12/1/2023					1,800,053.95	2,671,875.00	4,880,255.00	9,352,183.95	11,155,367.90
06/01/24					217,926.18	357,675.00	1,103,475.00	1,679,076.18	,,,
12/1/2024					1,832,926.18	2,702,675.00	4,923,475.00	9,459,076.18	11,138,152.36
06/01/25					193,967.65	322,500.00	1,031,850.00	1,548,317.65	
12/1/2025					1,867,967.65	2,742,500.00	4,996,850.00	9,607,317.65	11,155,635.30
06/01/26					169,133.86	286,200.00	955,523.75	1,410,857.61	
12/1/2026					1,904,133.86	2,776,200.00	5,045,523.75	9,725,857.61	11,136,715.22
06/01/27					143,395.13	248,850.00	873,723,75	1,265,968.88	
12/1/2027					1,941,395.13	2,813,850.00	5,128,723.75	9,883,968.88	11,149,937.76
06/01/28					116,721.80	210,375.00	786,496.25	1,113,593.05	
12/1/2028					1,979,721.80	2,850,375.00	5,216,496.25	10,046,593.05	11,160,186.10
06/01/29					89,084.19	170,775.00	693,466.25	953,325.44	
12/1/2029					2,020,084.19	2,890,775.00	5,308,466.25	10,219,325.44	11,172,650.88
06/01/30					60,437.80	129,975.00	594,243,75	784,656,55	
12/1/2030					2,061,437.80	2,934,975,00	5,409,243.75	10,405,656.55	11,190,313.10
06/01/31					30,752.96	87,900.00	488,313.75	606,966.71	
12/1/2031					2,103,752.96	2,972,900.00	5,513,313.75	10,589,966.71	11,196,933.42
06/01/32						44,625.00	375,251.25	419,876,25	
12/1/2032						3,019,625.00	5,570,251.25	8,589,876.25	9,009,752.50
06/01/33							2,972,065.00	2,972,065.00	
12/1/2033							2,914,620.00	2,914,620.00	5,886,685.00
06/01/34							2,972,060.00	2,972,060:00	
12/1/2034							2,906,030.00	2,906,030.00	5,878,090.00
Totals	\$2,084,650.00	\$12,506,587.56	\$22,914,957.50	\$1,369,447.20	\$35,566,801.68	\$52,695,950.00	\$100,203,823.61	\$227,342,217.55	\$227,342,217.55

Average annual principal and interest payment for the five bond years ending 12/1/2019

\$12,588,957.44

PRO FORMA ANNUAL CASH OPERATING EXPENSES

(Amounts Rounded to Nearest \$100) See Explanation of Referencess on page 8.

Cash Ope	\$22,166,100	
Adjustme	ents:	
(1)	Estimated inflation for 2014 and 2015	1,349,900
(2)	Estimated cost of servicing Utility Center, Inc.,	
	doing business as Aqua Indiana, Inc. customers	974,800
	· ·	
•	Total Adjustments	2,324,700
,	Гotal Pro Forma Cash Operating Expenses	\$24,490,800

(Continued on next page)

(Cont'd)

PRO FORMA ANNUAL CASH OPERATING EXPENSES Explanation of References

(1) Pro forma cash expenses for 2015 are estimated based on actual expenses for the 12 months ended November 30, 2013 adjusted annually for inflation.

Operating Expenses: (See page 15)	Test Yead Ended 11/30/13 (Unaudited)	2014 Inflation 3%	2014 Forecasted Annual Expenses	2015 Inflation 3%	2015 Forecasted Annual Expenses	Inflation Adjustment
Source of Supply Expenses	\$86,899	\$2,607	\$89,506	\$2,685	\$92,191	\$5,292
Water Treatment Expenses	9,328,159	279,845	9,608,004	288,240	9,896,244	568,085
Transmission and Distribution Expenses	5,019,223	150,577	5,169,800	155,094	5,324,894	305,671
Customer Accounts Expense	2,455,016	73,650	2,528,666	75,860	2,604,526	149,510
Adminstrative and General Expense	4,811,500	144,345	4,955,845	148,675	5,104,520	293,020
Utility Receipts Tax	465,308	13,959	479,267	14,378	493,645	28,337
Totals	\$22,166,105	\$664,983	\$22,831,088	\$684,932	\$23,516,020	\$1,349,915
Inflation adjustment rounded						\$1,349,900

(2) Incremental costs associated with acquisition of southwest territory, per management's estimates. Inflation is already taken into account

•	2015
Cost of producing 117,150,000 gallons at .003714 cents per gallon.	\$435,100
Six Additional staff, including overtime at fifteen percent and a benefit multiplier of 1.49	366,800
Additional URT at 1.4% of incremental revenues	69,900
Management's estimate for contingencies	103,000
Total incremental costs	\$974,800

CALCULATION OF PRO FORMA ANNUAL REVENUES

Pro Forma Revenues

	Existing Custo	mer Base (1)			
	12 Months	12 Months			Pro Forma
	Ending	Ending			12/31/2015
Revenues	12/31/2014	12/31/2015	Adjustments		Revenues
Residential and Commercial				_	
Monthly Service Charges	\$12,409,719	\$13,117,073	\$1,833,200	(2)	\$14,950,273
Commodity Charges	18,309,378	19,353,013	2,498,400	(2)	21,851,413
Industrial	2,237,695	2,365,244			2,365,244
Sales for resale	721,616	762,748			762,748
Private Fire Protection	1,042,101	1,101,501	11,400	(3)	1,112,901
Public Fire Protection	3,542,145	3,744,047	505,400	(4)	4,249,447
Miscellaneous Revenues	1,365,463	1,409,782	145,500	(5)	1,555,282
Total Water Revenues	\$39,628,117	\$41,853,408	\$4,993,900		\$46,847,308

- (1) The 2014 revenues were taken from IURC Cause No. 44162-COSS Petitioners' Exhibit KAH S6 Schedule 6. Industrial revenues were summarized to protect the confidentiality of certain customer's competitive data. The 2014 revenues were increased by the allowed 5.70% increase for Phase III which goes into effect on January 1, 2015. The 5.70% increase was not applied to interest income, Connection Fees and Cell Tower Revenue included in the miscellaneous revenues.
- (2) Metered revenues from the acquisition of the southwest territory are calculated on pages 10 and 11. The estimated number and classes of customers for year 2015 were derived from the May 2013 data provided by Utility Center, Inc., doing business as Aqua Indiana, Inc. The number of customers have been increased by a 1% growth factor per year based on management's estimate. Estimated consumption is based on actual test year consumption for the twelve months ended May 31, 2013 normalized to eliminate the effects of the drought experienced in June and July 2012, times a 1% growth factor. Rates are pursuant to the rates and charges approved by the IURC in Cause #44162.

(Continued on next page)

(Cont'd)

CALCULATION OF PRO FORMA ANNUAL REVENUES (Explanation of References)

(2) (Cont'd)

Estimated 2015 Revenues:

Estimated 2010 IX		Inside			Outside	
	Estimated # of Customers	Monthly Rate	Estimated Annual Revenue (Rounded)	Estimated # of Customers	Monthly Rate	Estimated Annual Revenue (Rounded)
Service Charge:						
5/8 inch	4,360	\$9.23	\$482,900	1,156	\$10.62	\$147,300
3/4 inch	4,101	9.23	454,200	2,073	10,62	264,200
1 inch	305	23.53	86,100	239	27.06	77,600
1 1/2 inch	54	52,71	34,200	42	60.62	30,600
2 inch	59	93.50	66,200	16	107.52	20,600
3 inch	7	210.53	17,700	8	242.12	23,200
4 inch	7	374.27	31,400	9	430.41	46,500
6 inch	5	841.69	50,500	-	967.94	-
8 inch	-	1,496.72	-	-	1,721.24	5
10 inch		2,338.41			2,689.17	
	8,898		\$1,223,200	3,543		\$610,000
	Estimated		Estimated Annual	Estimated		
	Consumption		Revenue	Consumption		Estimated Annual
	(CF 000's)	Rate	(Rounded)	(CF 000's)	Rate	Revenue (Rounded)
Metered Usage: Tier 1	658,000	\$2.08	\$1,368,600	264,800	\$2.40	\$635,500
Tier 2	77,200	1.94	149,800	60,900	2.24	136,400
Tier 3	74,400	1.89	140,600	36,200	2.18	78,900
	809,600		\$1,659,000	361,900		\$850,800
			Less: Private Fire Custo	omers		(11,400)
			Total Metered Usage R	evenues (Southwest 7	Territory)	\$2,498,400
			Total Estimated 2015 R	Revenues (Southwest	Territory)	\$4,331,600
						Ψ1,551,000

(3) Based on data provided by Utility services, Inc.

(Continued on next page)

(Cont'd)

CALCULATION OF PRO FORMA ANNUAL REVENUES (Explanation of References)

(4) Public Fire Protection surcharge revenues are estimated as follows for 2015.

			Inside			Outside	
		Estimated # of Customers	Monthly Rate	Estimated Annual Revenue (Rounded)	Estimated # of Customers	Monthly Rate	Estimated Annual Revenue (Rounded)
5/8	inch	4,360	\$2.54	\$132,900	1,156	\$2.92	\$40,500
3/4	inch	4,101	2.54	125,000	2,073	2.92	72,600
1	inch	305	6.50	23,800	239	7.48	21,500
1 1/2	inch	54	14.64	9,500	42	16.83	8,500
2	inch	59	26.01	18,400	16	29.92	5,700
3	inch	7	58.54	4,900	8	67.32	6,500
4	inch	7	104.07	8,700	9	119.68	12,900
6	inch	5	234.16	14,000		269.28	
		8,898		\$337,200	3,543		\$168,200
			Total 2015 Fire	Protection Surcharge Re	evenues (Southwest T	еrritory)	\$505,400

⁽⁵⁾ Management estimates miscellaneous revenues at 3% of operating revenues.

PRO FORMA 2015 ANNUAL REVENUES, REVENUE REQUIREMENTS AND DEBT SERVICE COVERAGE

(Amounts rounded to the nearest \$100)

Pro Forma Annual Revenues: (Page 9)	\$46,847,300
Pro Forma Cash Operating Expense: (Page 7)	(24,490,800)
Net cash flow	22,356,500
Less payment in lieu of property taxes (Page 15)	(2,346,600)
Net Cash Flow Available for Debt Service	\$20,009,900
Debt Service Payments (1)	\$12,589,000
Debt Service Coverage*	159%
(1) Represents average annual proposed combined debt service for the five bond years end See page 6 of this report.	ling 12/1/2019.
* The projected debt service coverage excluding the payment in lieu of property tax w be 178%.	rould

FORT WAYNE (INDIANA) MUNICIPAL WATER UTILITY Fort Wayne, Indiana

UNAUDITED SUPPLEMENTAL FINANCIAL DATA

COMPARATIVE STATEMENT OF NET POSITION

		As of		
ASSETS:	2010	2011	2012	11/30/2013
Current A restau				
Current Assets: Operating cash and cash equivalents	\$3,587,058	\$4,394,647	\$5,486,682	\$8,919,908
Customer accounts receivable (net)	3,047,898	3,164,208	2,891,689	3,520,641
Interest receivable	3,047,020	2,071	497	7,424
Due from City of Fort Wayne	8,172	358,541	562,395	368,344
Interfund receivable	1,408,617	703,890	-	200,311
Materials and supplies inventory	1,060,190	1,051,633	1,019,552	917,009
Prepaid expenses	86,979	88,208	88,408	97,529
				
Total Current Assets	9,198,914	9,763,198	10,049,223	13,830,855
Noncurrent Assets:				
Restricted Assets:				
Sinking fund cash and cash equivalents	538,739	664,993	748,415	-
Debt service reserve cash and cash equivalents	-	1,164,968	4,464,833	4,465,924
Debt service reserve investments	•	5,000,000	5,042,750	5,042,750
Construction fund cash and cash equivalents	1,524,233	22,608,111	28,252,193	17,167,840
Customer deposits	1,161,602	1,205,857	1,371,631	1,433,243
Cummulative fund (Airport Express)	500,000	2,000,000	313,247	313,247
Pension asset	128,859			-
Total Restricted Assets	3,853,433	32,643,929	40,193,069	28,423,004
Capital Assets:				
Depreciable capital assets	277,844,507	284,990,407	293,052,797	294,301,938
Less Accumulated depreciation	(87,573,958)	(93,118,895)	(99,938,633)	(106,593,575)
Sub-totals	190,270,549	191,871,512	193,114,164	187,708,363
Land	4,566,419	4,685,407	4,687,507	4,687,507
Construction work in progress	8,969,162	6,208,995	19,475,794	30,643,555
		202.7(5.014		
Net Capital Assets	203,806,130	202,765,914	217,277,465	223,039,425
Total Assets	\$216,858,477	\$245,173,041	\$267,519,757	\$265,293,284
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred debt issuance costs	\$880,531	\$1,315,205	\$2,441,032	\$2,538,255
Deferred bond discount	945	± 1,0 10,000	-, . , . ,	,550,255
		¢1 215 205	\$2 441 022	\$2 £2 \$2 \$5
Total Deferred	\$881,476	\$1,315,205	\$2,441,032	\$2,538,255
Total Assets and Deferred Outflows	\$217,739,953	\$246,488,246	\$269,960,789	\$267,831,539

(Continued on next page)

(Cont'd)

COMPARATIVE STATEMENT OF NET POSITION

	А	As of			
LIABILITIES:	2010	2011	2012	11/30/2013	
Current Liabilities:					
(payable from current assets)					
Accounts payable	\$2,027,245	\$1,399,241	\$3,443,080	\$860,581	
Due to City of Fort Wayne	118,405	193,987	1,278,385	1,053,204	
Garbage fees payable	528,564	460,584	423,109	435,959	
Interfund payable	837	448,263	436,658	316,982	
Compensated absences payable - current portion	576,334	564,305	546,364	545,505	
Accrued payroli	462,043	441,926	527,128	577,728	
Sales tax payable	123,727	124,377	124,222	154,517	
Other current liabilities	318,151	276,272	97,233	178,176	
Sub-totals	4,155,306	3,908,955	6,876,179	4,122,652	
Current Liabilities:					
(payable from restricted assets)					
Accrued interest payable	240,821	617,893	878,502	626,218	
Customer deposits payable	1,161,602	1,205,857	1,371,631	1,433,243	
Bonds payable - current portion	1,705,000	1,775,000	2,435,000	2,840,000	
Loans payable - current portion	1,870,000	2,447,000	3,293,000	3,421,000	
Notes payable	17,840,000	17,840,000		-	
Sub-totals	22,817,423	23,885,750	7,978,133	8,320,461	
Total Current Liabilities	26,972,729	27,794,705	14,854,312	12,443,113	
Noncurrent Liabilities:					
Bonds payable	16,399,283	14,613,624	52,733,439	49,845,796	
Loans payable	23,290,000	50,843,000	47,550,000	44,129,000	
Compensated absences payable	858,896	830,485	885,879	884,977	
Net pension liability		68,988	202,809	202,809	
Total Noncurrent Liabilities	40,548,179	66,356,097	101,372,127	95,062,582	
Total Liabilities	\$67,520,908	\$94,150,802	\$116,226,439	\$107,505,695	
NET POSITION:					
Invested in Capital Assets, Net of Related Debt	\$143,583,323	\$116,562,495	\$113,707,058	\$125,341,884	
Restricted	2,451,010	30,820,179	37,942,936	26,363,543	
Unrestricted	4,184,712	4,954,770	2,084,356	8,620,417	
Total Net Position	\$150,219,045	\$152,337,444	\$153,734,350	\$160,325,844	

<u>COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</u>

		Calendar Year		12 Months Ended
	2010	2011	2012	11/30/2013
Operating Revenues:				
Metered Revenues	\$25,728,367	\$25,990,873	\$26,490,410	\$29,934,554
Private Fire Protection	943,804	966,441	1,022,091	1,268,124
Public Fire Protection	2,934,478	2,935,910	2,947,526	3,481,056
Other Sales	357,647	302,070	300,472	1,166,065
Sales for Resale	546,900	568,290	666,519	627,825
Forefeited Discounts Interdepartmental Sales	454,721 76,395	445,112 79,636	454,523 105,333	487,976 105,098
Water Charges - Private	30,471	29,853	9,852	36,612
Total Operating Revenues	31,072,783	31,318,185	31,996,726	37,107,310
Operating Expenses:				
Source of Supply Expenses	84,549	91,248	83,792	86,899
Water Treatment Expenses	8,003,371	8,962,624	9,027,821	9,328,159
Transmission and Distribution Expenses	4,366,256	4,137,536	4,968,210	5,019,223
Customer Accounts Expense	1,988,774	2,587,725	2,461,981	2,455,016
Adminstrative and General Expense	4,969,014	4,775,616	4,548,827	4,811,500
Utility Receipts Tax	406,987	413,594	422,742	465,308
Sub-totals	19,818,951	20,968,343	21,513,373	22,166,105
Depreciation expense	7,047,897	7,275,176	7,385,260	8,704,163
Total Operating Expenses	26,866,848	28,243,519	28,898,633	30,870,268
Net Operating Income	4,205,935	3,074,666	3,098,093	6,237,042
Nonoperating Revenues:				
Interest Income	18,104	11,003	68,858	21,275
Connectivity Revenue	122,798	153,087	168,435	176,279
Miscellaneous Non-Operating Income	2,316,113	I,827,869	1,317,920	1,661,510
Sub-totals	2,457,015	1,991,959	1,555,213	1,859,064
Nonoperating Expenses:				
Interest Expense	1,772,900	1,652,894	1,683,199	1,398,569
Amortization of Debt Discount	90,607	93,791	141,176	248,396
Amortization of Acquisition	312,306	182,457	138,577	138,577
Sub-totals	2,175,813	1,929,142	1,962,952	1,785,542
Net Income Before Contributions and Transfers	4,487,137	3,137,483	2,690,354	6,310,564
Capital Contributions and (Transfers):				
Contributed Capital	342,505	1,367,342	1,014,237	1,212,737
Payment in lieu of property taxes	(1,921,873)	(2,386,426)	(2,307,685)	(2,346,646)
Sub-totals	(1,579,368)	(1,019,084)	(1,293,448)	(1,133,909)
Change In Net Position	2,907,769	2,118,399	1,396,906	5,176,655
Total Net Position - Beginning	147,311,276	150,219,045	152,337,444	155,149,189
Total Net Position- Ending	\$150,219,045	\$152,337,444	\$153,734,350	\$160,325,844

COMPARATIVE STATEMENT OF CASH FLOWS Increase (Decrease) in Cash

	Calendar Year			12 Months Ended
	2010	2011	2012	11/30/2013
Cash flows from operating activities:				
Cash received from customers	\$31,467,903	\$31,561,490	\$32,802,736	\$36,655,655
Cash paid to suppliers, employees and others	(19,478,315)	(20,793,367)	(18,119,766)	(21,120,283)
p 10 cupp,p.c, 100.	(22)1112		(==1===2,1=4,7	
Net cash from operating activities	11,989,588	10,768,123	14,682,970	15,535,372
Cash flows from noncapital financing activities:				
Transfers out - payment in lieu of property taxes	(1,921,873)	(2,386,426)	(2,307,685)	(2,346,646)
Contributed capital	342,505	1,367,342	1,014,237	1,212,737
Net cash from noncapital financing activities	(1,579,368)	(1,019,084)	(1,293,448)	(1,133,909)
Cash flows from capital and related				
financing activities:	(0.110.114)	(5.050, (50))	(01.050.045)	(10.000.450)
Additions to utility plant	(8,110,116)	(5,250,678)	(21,252,865)	(18,303,479)
Principal paid on bonds	(1,645,000)	(1,715,659)	(1,220,185)	(1,918,819)
Principal paid on loans	(1,800,000)	(1,870,000)	(2,447,000) (17,840,000)	(3,293,000) (17,840,000)
Principal paid on notes Proceeds from bonds	-	-	40,000,000	40,000,000
Proceeds from loans	-	30,000,000	40,000,000	40,000,000
Interest paid on debt	(2,608,038)	(1,652,894)	(1,683,199)	(1,398,569)
Other income	(2,000,030)	•	1,486,355	
2 3333 3334 3334	•	1,980,956		1,837,789
Other expense		(157,481)	(846,074)	(641,808)
Net cash from capital and related				
financing activities	(14,163,154)	21,334,244	(3,802,968)	(1,557,886)
Cash flows from investing activities:				
Interest income	18,104	11,003	68,858	21,275
Investments purchased		(5,000,000)	(42,750)	(42,750)
Net cash from investing activities	18,104	(4,988,997)	26,108	(21,475)
Cash and Cash Equivalents:				
Increase (decrease)	(4,077,335)	24,726,944	8,598,425	11,609,365
Beginning balance	11,388,967	7,311,632	32,038,576	20,690,797
Ending balance	\$7,311,632	\$32,038,576	\$40,637,001	\$32,300,162

(Continued on next page)

(See Accountants' Compilation Report and the accompanying summary of accounting policies.)

(Cont'd)

COMPARATIVE STATEMENT OF CASH FLOWS Increase (Decrease) in Cash

		Calendar Year		
	2010	2011	2012	Ended 11/30/2013
Reconciliation of net operating revenues to cash provided from operations:				
Net operating revenues	\$4,205,935	\$3,074,666	\$3,098,093	\$6,237,042
Adjustments to reconcile net operating revenue to net cash provided from operating activities:				
Depreciation expense	6,735,591	7,275,176	7,385,260	8,704,163
Change in assets and liabilities: Decrease (increase) in:				
Customer accounts receivable (net)	109,287	(116,310)	272,519	(578,008)
Interest receivable		(2,071)	1,574	33,080
Due from City of Fort Wayne	251,111	(350,369)	(203,854)	71,488
Interfund receivable		704,727	703,890	-
Materials and supplies inventory	-	8,557	32,081	18,215
Prepaid expenses	34,722	(1,229)	(200)	3,570
Increase (decrease) in:				
Accounts payable	648,970	(628,004)	2,043,839	611,903
Due to City of Fort Wayne	•	75,582	1,084,398	(89,528)
Interfund payable	374,279	447,426	(11,605)	56,316
Compensated absences payable - current portion	-	(12,029)	(17,941)	(12,383)
Accrued payroll	-	(20,117)	85,202	36,253
Sales tax payable	123,727	650	(155)	27,017
Other current liabilities	(542,715)	(41,879)	(179,039)	28,441
Accrued interest payable	-	377,072	260,609	268,684
Customer deposits payable	48,681	44,255	165,774	117,367
Garbage fees payable	-	(67,980)	(37,475)	1,752
Compensated absences payable	-	(28,411)	55,394	60,565
Net pension liability	-	68,988	133,821	133,821
Net cash provided from operations	\$11,989,588	\$10,768,123	\$14,682,970	\$15,535,372

COMPARISON OF ACCOUNT BALANCES WITH MINIMUM BALANCES REQUIRED

Acc	ounts <u>:</u>	Account Balance at 11/30/2013	Minimum Balance Required (1)	Ref.	Variance
	Operation and maintenance fund Sinking fund:	\$8,919,908	\$3,805,944	(2)	\$5,113,964
	Bond and interest account		-	(3)	-
	Reserve account	9,508,674	9,463,238	(4)	45,436
	Construction fund	17,167,840	17,167,840	(5)	-
	Customer deposits	1,433,243	1,433,243	(6)	-
	Cummulative Fund (Airport Express)	313,247	313,247	(7)	
	Totals	\$37,342,912	\$32,183,512		\$5,159,400
(1)	Minimum balance required by Bond Ordinance No. S-30-12				
(2)	The balance maintained in this fund shall be sufficient to pay the and maintenance of the then next succeeding two calendar months		air		
	Pro forma operating expenses for 12 months ended 12/31/20 Times two month factor	14			\$22,831,100 0.1667
	Minimum balance required				\$3,805,944
(3)	The balance of this account should be equal to the accrued monthly of the interest on all outstanding bonds payable on the then next supayment date and 1/12 of the principal on all outstanding bonds payment succeeding principal payment date.	acceeding interest			
			Months		
		Amount	Factor		Balance
	Principal due December 1, 2014				
	2003 Bonds	\$440,000	0/12		\$ -
	2005 Bonds	1,475,000	0/12		
	2006 Bonds	2,100,000	0/12		•
	2011A Bonds	1,320,000	0/12		r
	2011B Bonds 2012 Bonds	1,000	0/12 0/12		•
	2012 Bolius	925,000	0/12		-
	Interest due June 1, 2014 *				
	2003 Bonds	38,631	0/6		
	2005 Bonds	218,266	0/6		-
	2006 Bonds	381,669	0/6		-
	2011A Bonds 2011B Bonds	24,724 399,136	0/6 0/6		•
	2012 Bonds	535,775	0,16		
	Minimum balance required				\$
	• The December 1, 2013 principal and interest payment was made	prior to November 30, 20	013,		
(4)	The balance of this account should be equal to the maximum annu- debt service on the outstanding bonds. The reserve is fully funded				
	Minimum balance required				\$9,463,238
(5)	Restricted for capital projects.				
(6)	Restricted for customer refunds.				

- (7) Restricted for Airport Express.

SCHEDULE OF AMORTIZATION OF \$1,885,000 PRINCIPAL AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2003

Principal payable annually on December 1st.

Interest payable semiannually on June 1st and December 1st.

Interest rates as indicated.

Payment	Principal		Interest			Bond Year
Date	Balance	Principal	Rates	Interest	Total	Total
	(In \$1,	000's)	(%)	(~	In Dollars)
6/1/2014	\$1,885			\$38,631.25	\$38,631.25	
12/1/2014	1,885	\$440	4.000	38,631.25	478,631.25	\$517,262.50
6/1/2015	1,445			29,831.25	29,831.25	
12/1/2015	1,445	460	4.000	29,831.25	489,831.25	519,662.50
6/1/2016	985			20,631.25	20,631.25	
12/1/2016	985	480	4.125	20,631.25	500,631.25	521,262.50
6/1/2017	505			10,731.25	10,731.25	
12/1/2017	505	505	4.250	10,731.25	515,731.25	526,462.50
	Totals	\$1,885		\$199,650.00	\$2,084,650.00	\$2,084,650.00

SCHEDULE OF AMORTIZATION OF \$10,840,000 PRINCIPAL AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2005

Principal payable annually on December 1st. Interest payable semiannually on June 1st and December 1st. Interest rates as indicated.

Payment	Principal		Interest			Bond Year
Date	Balance	Principal	Rates	Interest	Total	Total
	(In \$1	,000's)	(%)	((In Dollars	
6/1/2014	\$10,840			\$218,265.63	\$218,265.63	
12/1/2014	10,840	\$1,475	4.000	218,265.63	1,693,265.63	\$1,911,531.26
6/1/2015	9,365			188,765.63	188,765.63	
12/1/2015	9,365	1,530	4.000	188,765.63	1,718,765.63	1,907,531.26
6/1/2016	7,835			158,165.63	158,165.63	
12/1/2016	7,835	1,590	4.000	158,165.63	1,748,165.63	1,906,331.26
6/1/2017	6,245			126,365.63	126,365.63	
12/1/2017	6,245	1,650	4.000	126,365.63	1,776,365.63	1,902,731.26
6/1/2018	4,595			93,365.63	93,365.63	
12/1/2018	4,595	2,250	4.000	93,365.63	2,343,365.63	2,436,731.26
6/1/2019	2,345			48,365,63	48,365.63	
12/1/2019	2,345	2,345	4.125	48,365.63	2,393,365.63	2,441,731.26
	Totals	\$10,840		\$1,666,587.56	\$12,506,587.56	\$12,506,587.56

SCHEDULE OF AMORTIZATION OF \$19,325,000 PRINCIPAL AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2006

Principal payable annually on December 1st.

Interest payable semiannually on June 1st and December 1st.

Interest rate as indicated.

Payment	Principal		Interest			Bond Year
Date	Balance	Principal	Rate	Interest	Total	Total
	(In \$1	,000's)	(%)	(In Dollars)
(11/0014	010 225			\$201.660. 7 5	\$201 ((0.55	
6/1/2014	\$19,325	00 100	205	\$381,668.75	\$381,668.75	AA 044 AA 7 T
12/1/2014	19,325	\$2,100	3.95	381,668.75	2,481,668.75	\$2,863,337.50
6/1/2015	17,225			340,193.75	340,193.75	
12/1/2015	17,225	2,185	3.95	340,193.75	2,525,193.75	2,865,387.50
6/1/2016	15,040			297,040.00	297,040.00	
12/1/2016	15,040	2,270	3.95	297,040.00	2,567,040.00	2,864,080.00
6/1/2017	12,770			252,207.50	252,207.50	
12/1/2017	12,770	2,360	3.95	252,207.50	2,612,207.50	2,864,415.00
6/1/2018	10,410			205,597.50	205,597.50	
12/1/2018	10,410	2,455	3.95	205,597.50	2,660,597.50	2,866,195.00
6/1/2019	7,955			157,111.25	157,111.25	
12/1/2019	7,955	2,550	3.95	157,111.25	2,707,111.25	2,864,222.50
6/1/2020	5,405			106,748.75	106,748.75	
12/1/2020	5,405	2,650	3.95	106,748.75	2,756,748.75	2,863,497.50
6/1/2021	2,755			54,411.25	54,411.25	
12/1/2021	2,755	2,755	3.95	54,411.25	2,809,411.25	2,863,822.50
	Totals	\$19,325		\$3,589,957.50	\$22,914,957.50	\$22,914,957.50

SCHEDULE OF AMORTIZATION OF \$1,320,000 PRINCIPAL AMOUNT OF OUTSTANDING TAXABLE WATERWORKS REVENUE BONDS OF 2011, SERIES A

Principal payable annually on December 1st.

Interest payable semiannually on June 1st and December 1st. Interest rate as indicated.

Payment	Principal		Interest			Bond Year
Date	Balance	Principal	Rate	Interest	Total	Total
*****	(In \$1	,000's)	(%)	(In Dollars)
6/1/2014	\$1,320			\$24,723.60	\$24,723.60	
12/1/2014	1,320	\$1,320	3,746	24,723.60	1,344,723.60	\$1,369,447.20
	Totals	\$1,320		\$49,447.20	\$1,369,447.20	\$1,369,447.20

SCHEDULE OF AMORTIZATION OF \$26,905,000 PRINCIPAL AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2011, SERIES B

Principal payable annually on December 1st. Interest payable semiannually on June 1st and December 1st. Interest rate as indicated.

Payment	Principal		Interest			Bond Year
Date	Balance	Principal	Rate	Interest	Total	Total
	(In \$1	,000's)	(%)	(In Dollars)
6/1/2014	\$26,905			\$399,135.73	\$399,135.73	
12/1/2014	26,905	\$1	2.967	399,135.73	400,135.73	\$799,271.46
6/1/2015	26,904			399,120.89	399,120.89	
12/1/2015	26,904	1,172	2.967	399,120.89	1,571,120.89	1,970,241.78
6/1/2016	25,732			381,734.27	381,734.27	
12/1/2016	25,732	1,214	2.967	381,734.27	1,595,734.27	1,977,468.54
6/1/2017	24,518			363,724.58	363,724.58	
12/1/2017	24,518	1,258	2.967	363,724.58	1,621,724.58	1,985,449.16
6/1/2018	23,260			345,062.15	345,062.15	
12/1/2018	23,260	1,304	2.967	345,062.15	1,649,062.15	1,994,124.30
6/1/2019	21,956			325,717.31	325,717.31	
12/1/2019	21,956	1,351	2.967	325,717.31	1,676,717.31	2,002,434.62
6/1/2020	20,605			305,675.22	305,675.22	, ,
12/1/2020	20,605	1,401	2.967	305,675.22	1,706,675.22	2,012,350.44
6/1/2021	19,204	•		284,891,38	284,891.38	, .
12/1/2021	19,204	1,451	2.967	284,891.38	1,735,891.38	2,020,782.76
6/1/2022	17,753	•		263,365.79	263,365.79	, ,
12/1/2022	17,753	1,504	2.967	263,365.79	1,767,365.79	2,030,731.58
6/1/2023	16,249	,.		241,053.95	241,053.95	-, ,
12/1/2023	16,249	1,559	2.967	241,053.95	1,800,053.95	2,041,107.90
6/1/2024	14,690	.,		217,926.18	217,926.18	-,
12/1/2024	14,690	1,615	2.967	217,926.18	1,832,926.18	2,050,852.36
6/1/2025	13,075	•		193,967.65	193,967.65	, ,
12/1/2025	13,075	1,674	2.967	193,967.65	1,867,967.65	2,061,935.30
6/1/2026	11,401	•		169,133.86	169,133.86	-,,-
12/1/2026	11,401	1,735	2.967	169,133.86	1,904,133.86	2,073,267.72
6/1/2027	9,666	,		143,395.13	143,395.13	_,,
12/1/2027	9,666	1,798	2.967	143,395.13	1,941,395.13	2,084,790.26
6/1/2028	7,868	.,.,		116,721.80	116,721.80	_,,
12/1/2028	7,868	1,863	2.967	116,721.80	1,979,721.80	2,096,443.60
6/1/2029	6,005	-,		89,084.19	89,084.19	2,000,000
12/1/2029	6,005	1,931	2.967	89,084.19	2,020,084.19	2,109,168.38
6/1/2030	4,074	-,		60,437.80	60,437.80	_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
12/1/2030	4,074	2,001	2.967	60,437.80	2,061,437.80	2,121,875.60
6/1/2031	2,073	-,001	0 /	30,752.96	30,752.96	2,1-1,070.00
12/1/2031	2,073	2,073	2.967	30,752.96	2,103,752.96	2,134,505.92
. 2. 1. 2001	2,075	2,0 /3	2.,,,,	30,732,70	2,103,702,70	2,107,000.72
	Totals	\$26,905		\$8,661,801.68	\$35,566,801.68	\$35,566,801.68

SCHEDULE OF AMORTIZATION OF \$39,410,000 PRINCIPAL AMOUNT OF OUTSTANDING WATERWORKS REVENUE BONDS OF 2012

Principal payable annually on December 1st.

Interest payable semiannually on June 1st and December 1st.

Interest rates as indicated.

Payment	Principal		Interest				Bond Year
Date	Balance	Principal	Rates	_	Interest	Total	Total
	(In \$1	,000's)	(%)		(In Dollars)
6/1/2014	\$39,410				\$535,775.00	\$535,775.00	
12/1/2014	39,410	\$925	2.0		535,775.00	1,460,775.00	\$1,996,550.00
6/1/2015	38,485				526,525.00	526,525.00	
12/1/2015	38,485	1,145	2.0		526,525.00	1,671,525.00	2,198,050.00
6/1/2016	37,340				515,075.00	515,075.00	
12/1/2016	37,340	1,160	2.0		515,075.00	1,675,075.00	2,190,150.00
6/1/2017	36,180				503,475.00	503,475.00	
12/1/2017	36,180	1,175	2.0		503,475.00	1,678,475.00	2,181,950.00
6/1/2018	35,005				491,725.00	491,725.00	
12/1/2018	35,005	1,180	2.0		491,725.00	1,671,725.00	2,163,450.00
6/1/2019	33,825				479,925.00	479,925.00	
12/1/2019	33,825	1,195	2.0		479,925.00	1,674,925.00	2,154,850.00
6/1/2020	32,630				467,975.00	467,975.00	
12/1/2020	32,630	2,125	2.0		467,975.00	2,592,975.00	3,060,950.00
6/1/2021	30,505				446,725.00	446,725.00	
12/1/2021	30,505	2,170	2.0		446,725.00	2,616,725.00	3,063,450.00
6/1/2022	28,335				425,025.00	425,025.00	
12/1/2022	28,335	2,210	3.0		425,025.00	2,635,025.00	3,060,050.00
6/1/2023	26,125				391,875.00	391,875.00	
12/1/2023	26,125	2,280	3.0		391,875.00	2,671,875.00	3,063,750.00
6/1/2024	23,845				357,675.00	357,675.00	
12/1/2024	23,845	2,345	3.0		357,675.00	2,702,675.00	3,060,350.00
6/1/2025	21,500	•			322,500.00	322,500.00	•
12/1/2025	21,500	2,420	3.0		322,500.00	2,742,500.00	3,065,000.00
6/1/2026	19,080	•			286,200.00	286,200.00	, ,
12/1/2026	19,080	2,490	3.0		286,200.00	2,776,200.00	3,062,400.00
6/1/2027	16,590	•			248,850.00	248,850.00	, ,
12/1/2027	16,590	2,565	3.0		248,850.00	2,813,850.00	3,062,700.00
6/1/2028	14,025	,			210,375.00	210,375.00	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
12/1/2028	14,025	2,640	3.0		210,375.00	2,850,375.00	3,060,750.00
6/1/2029	11,385	,			170,775.00	170,775.00	, ,
12/1/2029	11,385	2,720	3.0		170,775.00	2,890,775.00	3,061,550.00
6/1/2030	8,665	-,			129,975.00	129,975.00	.,,
12/1/2030	8,665	2,805	3.0		129,975.00	2,934,975.00	3,064,950.00
6/1/2031	5,860	-,			87,900.00	87,900.00	.,,,,
12/1/2031	5,860	2,885	3.0	(1)	87,900.00	2,972,900.00	3,060,800.00
6/1/2032	2,975	,		` '	44,625.00	44,625.00	,,
12/1/2032	2,975	2,975	3.0	(1)	44,625.00	3,019,625.00	3,064,250.00
	Totals	\$39,410		\$	13,285,950.00	\$52,695,950.00	\$52,695,950.00

^{(1) \$5,860,000} of Term Bonds due December 1, 2032.

SCHEDULE OF OUTSTANDING COMBINED BOND AMORTIZATION

Payment	2003	2005	2006	2011A	2011B	2012		Bond Year
Date	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Total	Total
6/1/2014	\$38,631.25	\$218,265.63	\$381,668.75	\$24,723.60	\$399,135.73	\$535,775.00	\$1,598,199.96	
12/1/2014	478,631,25	1,693,265.63	2,481,668.75	1,344,723.60	400,135.73	1,460,775.00	7,859,199.96	\$9,457,399.92
6/1/2015	29,831.25	188,765.63	340,193.75	1,544, 125.00	399,120.89	526,525.00	1,484,436.52	\$9,437,399.92
12/1/2015	489,831.25	1,718,765.63	2,525,193.75		1,571,120.89	1,671,525.00	7,976,436.52	9,460,873.04
6/1/2016	20,631.25	158,165.63	297,040,00		381,734.27	515,075.00	1,372,646.15	9,400,873.04
12/1/2016	500,631.25	1,748,165.63	2,567,040.00		1,595,734.27	1,675,075.00	8,086,646.15	9,459,292.30
6/1/2017	10,731.25	126,365.63	252,207.50		363,724.58	503,475.00	1,256,503.96	9,439,292.30
12/1/2017	515,731.25	1,776,365.63	2,612,207.50		1,621,724.58	1,678,475.00	8,204,503.96	0.461.007.00
6/1/2018	313,731.23	93,365.63	205,597.50		345,062,15	491,725.00	1,135,750.28	9,461,007.92
12/1/2018		2,343,365.63	2,660,597.50		1,649,062.15	1,671,725.00		0.440.500.54
6/1/2019		48,365.63	157,111.25		325,717.31	479,925.00	8,324,750.28 1,011,119.19	9,460,500.56
12/1/2019		2,393,365.63	2,707,111.25		1,676,717.31	1,674,925.00		0.442.220.20
6/1/2020		2,393,303.03	106,748.75		305,675.22	467,975.00	8,452,119.19	9,463,238.38 *
12/1/2020			2,756,748.75		1,706,675.22	2,592,975.00	880,398.97 7,056,398.97	7 027 707 04
6/1/2021			54,411.25		284,891.38	446,725.00	786,027.63	7,936,797.94
12/1/2021			2,809,411.25		1,735,891.38	2,616,725.00	7,162,027.63	704905526
6/1/2022			2,809,411.25		263,365.79	425,025.00		7,948,055.26
12/1/2022					1,767,365.79	2,635,025,00	688,390.79	6 000 701 60
6/1/2023					241,053.95	391,875.00	4,402,390.79	5,090,781.58
12/1/2023					1,800,053.95	,	632,928.95	£ 104.0£7.00
						2,671,875.00	4,471,928.95	5,104,857.90
6/1/2024					217,926.18 1,832,926.18	357,675.00	575,601.18	4 000
12/1/2024						2,702,675.00	4,535,601.18	5,111,202.36
6/1/2025					193,967.65	322,500.00	516,467.65	
12/1/2025					1,867,967.65	2,742,500.00	4,610,467.65	5,126,935.30
6/1/2026					169,133.86	286,200.00	455,333.86	
12/1/2026					1,904,133.86	2,776,200.00	4,680,333.86	5,135,667.72
6/1/2027					143,395.13	248,850.00	392,245.13	
12/1/2027					1,941,395.13	2,813,850.00	4,755,245.13	5,147,490.26
6/1/2028					116,721.80	210,375.00	327,096.80	
12/1/2028					1,979,721.80	2,850,375.00	4,830,096.80	5,157,193.60
6/1/2029					89,084.19	170,775.00	259,859.19	
12/1/2029					2,020,084.19	2,890,775.00	4,910,859.19	5,170,718.38
6/1/2030					60,437.80	129,975.00	190,412.80	
12/1/2030					2,061,437.80	2,934,975.00	4,996,412.80	5,186,825.60
6/1/2031					30,752.96	87,900.00	118,652.96	
12/1/2031					2,103,752.96	2,972,900.00	5,076,652.96	5,195,305.92
6/1/2032						44,625.00	44,625.00	
12/1/2032						3,019,625.00	3,019,625.00	3,064,250.00
Totals	\$2,084,650.00	\$12,506,587.56	\$22,914,957.50	\$1,369,447.20	\$35,566,801.68	\$52,695,950.00	\$127,138,393.94	\$127,138,393.94

Average annual principal and interest payment for the six bond years ending 12/1/2019

\$9,460,385.35

Maximum annual combined debt service.

SCHEDULE OF WATER RATES AND CHARGES RATES APPROVED DECEMBER 18, 2013 PER CAUSE # 44162

	Inside City		
		Phase II Effective	Phase III Effective
Monthly Service Char	ge	1/1/2014	1/1/2015
5/8 inch meter		\$8.73	\$9.23
3/4 inch meter		8.73	9.23
I inch meter		22.26	23.53
1 1/2 inch meter		49.87	52.71
2 inch meter		88.46	93.50
2 1/2 inch meter		88.46	93.50
3 inch meter		199.18	210.53
4 inch meter 6 inch meter		354.09 796.30	374. 2 7 841.69
8 inch meter		1,416.01	1,496.72
10 inch meter		2,212.31	2,338.41
12 inch meter		2,212.31	2,338.41
Monthly Metered Usa	ge Rates (Per 100 Cubic Feet)		
First	2,500 cubic feet	\$1.97	\$2.08
Next	9,500 cubic feet	1.84	1.94
Over	12,000 cubic feet	1.79	1.89
Fire Protection Service	<u>98</u>		
Public Fire Protection	Services Monthly Charge:		
5/8 inch meter		\$2.40	\$2.54
3/4 inch meter		2.40	2.54
l inch meter		6.15	6.50
I 1/2 inch meter		13.85	14.64
2 inch meter		24.61	26.01
2 1/2 inch meter		38.46	40.65
3 inch meter		55,38	58.54
4 inch meter		98.46	104.07
6 inch meter		221.53	234.16
8 inch meter		393.84	416.29
10 inch meter		615.37	650.45
12 inch meter		886.13	936.64
Private Hydrant Renta	ll Monthly Charge	\$30.66	\$32.41
Private Fire Line Con	nection Monthly Charge:		
1 inch connection		\$0.28	\$0.30
1 1/2 inch connect		0.80	0.85
2 inch connection		1.70	1.80
2 1/2 inch connection		3.07	3.24
3 inch connection		4.95	5.23
4 inch connection		10.55	11.15
6 inch connection 8 inch connection		30.66 65.33	32.41 69.05
10 inch connection	n	117.49	1 2 4.19
12 inch connection		189.78	200.60
16 inch connection		404.42	427.47

(Continued on next page)

(Cont'd)

SCHEDULE OF WATER RATES AND CHARGES RATES APPROVED DECEMBER 18, 2013 PER CAUSE # 44162

	Outside City		
Manthly Carrier Channel		Phase II Effective 1/1/2014	Phase III Effective 1/1/2015
Monthly Service Charge	<u> </u>	1/1/2014	1/1/2015
5/8 inch meter		\$10.05	\$10.62
3/4 inch meter		10.05	10.62
l inch meter		25.60	27.06
1 1/2 inch meter		57.35	60.62
2 inch meter		101.72 101.72	107.52
2 1/2 inch meter 3 inch meter		229.06	107.52 242.12
4 inch meter		407.20	430.41
6 inch meter		915.74	967.94
8 inch meter		1,628.42	1,721.24
10 inch meter		2,544.15	2,689.17
12 inch meter		2,544.15	2,689.17
Monthly Metered Usage	e (Per 100 Cubic Feet)		
First	2,500 cubic feet	\$2.27	\$2.40
Next	9,500 cubic feet	2.12	2.24
Over	12,000 cubic feet	2.06	2.18
Fire Protection Services			
Public Fire Protection S	ervices Monthly Charge:		
5/8 inch meter		\$2.76	\$2.92
3/4 inch meter		2.76	2.92
l inch meter		7.08	7.48
1 1/2 inch meter		15.92	16.83
2 inch meter		28.31	29.92
2 1/2 inch meter		44.23	46.75
3 inch meter		63.69	67.32
4 inch meter		113.23	119.68
6 inch meter		254.76	269.28
8 inch meter		452.91	478.73
10 inch meter		707.67	748.01
12 inch meter		1,019.05	1,077.14
Private Hydrant Rental	Monthly Charge	\$35.26	\$37.27
Private Fire Line Conne	ection Monthly Charge:		
l inch connection		\$0.32	\$0.34
I 1/2 inch connection	on	0.92	0.97
2 inch connection		1.96	2.07
2 1/2 inch connection		3.53	3.73
3 inch connection		5.70	6.02
4 inch connection 6 inch connection		12.14 35.26	12.83 37.27
8 inch connection		75.13	37.27 79.41
10 inch connection		135.11	142.81
12 inch connection		218.24	230.68
16 inch connection		465.08	491.59

(Continued on next page)

(Cont'd)

SCHEDULE OF WATER RATES AND CHARGES RATES APPROVED DECEMBER 18, 2013 PER CAUSE # 44162

Contract Customers

Phase II	Phase III
Effective	Effective
1/1/2014	1/1/2015

City of New Haven

Monthly Demand Charge \$8,409.08 \$8,888.40

Commodity Charge

- Rate per Hundred Cubic Feet \$1.1700 \$1.2367

-Monthly Service Charge (Based on Meter Size - Same as In-City Rates)
-Fire Protection Services (Based on Meter Size - Same as In-City Rates)

Utility Center, Inc., doing business as Aqua Indiana, Inc.

Monthly Demand Charge \$9,140.29 \$9,661.28

Commodity Charge

- Rate per Hundred Cubic Feet \$1.2266 \$1.2965

-Monthly Service Charge (Based on Meter Size - Same as In-City Rates)
-Fire Protection Services (Based on Meter Size - Same as In-City Rates)